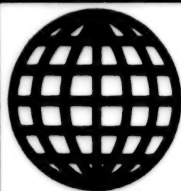


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**FOREIGN
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JPRS Report

East Europe

East Europe

JPRS-EER-89-110

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BULGARIA

Using Personal Computer To Analyze CSCE Issues

22000102 Sofia MEZHODUNARODNI OTNOSHENIYA in Bulgarian No 4, pp 33-39

[Article by Stefan Vasilev, graduate of the USSR MID [Ministry of Foreign Affairs] MGIMO [Moscow International Relations Institute]. He is employed at the Ministry of Foreign Affairs, where he deals with problems of European security and cooperation, disarmament, etc.: "Use of Computers in the Analysis of Contemporary International Talks (Some Practical Possibilities)"]

[Text] During the second half of the 1980's, a conversion from confrontation to dialogue took place in international relations. The term "second edition of detente" appeared in the political vocabulary, characterizing the current status of international relations.

A very specific situation prevails in Europe. On the one hand, the most powerful military groups in the world are deployed in the old continent. Here we find concentrated weapons which would suffice to destroy not only the continent but the planet. On the other hand, as M.S. Gorbachev writes, nowhere on a world scale "is there, as there is in Europe, such a widespread system of bilateral and multilateral talks, consultations, treaties, and contacts on virtually all levels."¹

Another trend is the gradual establishment of an entire array of permanent fora for a peaceful dialogue. The role of the international organizations, headed by the United Nations, is increasing in international life. Also enhanced are the activities of the developing Third World countries.

On the other hand, the headlong development of production forces and the international division of labor led to increased interdependence among countries.

The appearance of global problems as an unprecedented phenomenon, equally significant to all, also requires joint actions by the individual countries. Actually, mankind found itself facing two exceptionally serious threats: the nuclear threat and the intensifying ecological crisis. Other potential threats of a global cataclysm are becoming apparent: the "north-south" polarization, the foreign debts of the developing countries, the problems of hunger, underdevelopment, disease, natural disasters, etc.

The achievements of the scientific and technical revolution in the military area fully justified the thought expressed more than 70 years ago to the effect that weapons will reach a level at which their use will become senseless. The two culminations of the Cold War over the past 40 years also proved the futility of the efforts to solve global problems from a position of strength. Diplomatic practice has indicated that positive results have been achieved only in an atmosphere of cooperation and

useful dialogue. This is confirmed also by the latest development of international relations: A constructive spirit of cooperation and respect for the interests of the other side created prerequisites for concluding the INF treaty. Europe entered a new process of talks on measures to strengthen confidence and security, disarmament and reduction of forces and conventional weapons, from the Atlantic to the Urals. New and more efficient peaceful approaches were found in settling regional conflicts. This very short enumeration of trends and events in international life illustrates quite extensively the possibilities of the countries to solve arising problems on a peaceful basis. All of this emphasizes the tremendous importance of joining efforts in seeking solutions on the basis of communicating, direct contacts and dialogue or, in other words, of bilateral and multilateral talks. It is precisely talks which are and, for the time being, remain the only basic instruments for the peaceful solution of such problems.

Nonetheless, the ways and means for the study and analysis of talks, particularly multilateral international talks, remain without any essential change, following the channel of traditional methods of observation, noticing, and evaluations.

The growing complexity and importance of the talks, on the one hand, and stagnation in theoretical research, on the other, put the emphasis on the need to solve this problem; the penetration of computers in the humanitarian area created additional prerequisites and possibilities to this effect.

One of the characteristic features of the comprehensive talks is the existence of a huge volume of information, for official documents are no more than a minor part compared with the entire system of talks: the Stockholm conference on measures to strengthen confidence and security and the disarmament of Europe amounts to several dozen volumes. And what about the entire Helsinki process and the remaining types of talks? Naturally, neither the researcher nor the practical worker can limit their work merely to the study of official documents. They must also take into consideration the views and evaluations of other scientists, journalists, and practical workers. Even the formulation of an individual aspect of a given problem requires the study of a set of a great variety of materials in order to select suitable information on the problem under study, regardless of the fact that such materials could contain a great deal of other information of no practical significance in this case. On the other hand, the volume of the problems and the pace of their updating question both the possibility of the efficient study by the researcher or the practical worker of the entire available information as well as the quality of their work.

The creation of the so-called electronic files made it possible radically to reduce the time for the retrieval of information fed to the computers on the basis of specific indicators. Together with the other advantages of electronic archives, the possibility of cross referencing on the

basis of several indicators, the reorganization of the structure of the files, and the fast and easy updating and correcting of the introduced information, the processing of the texts and the optional retrieval of information, combination with other electronic files, etc., indicate quite clearly the backwardness and unsuitability of the classical methods of information storing and processing. Naturally, in no case should we totally reject such methods, the more so since for the time being the new methods play merely an auxiliary role.

The information which has been gathered, introduced, and organized as necessary, along with the software used in working with computers, is known as database (DB). Several DB, which cover quite extensively a given problem and are combined with a program which allows the electronic processing of the information, constitute an entire information system (IS). The value of such IS is particularly high if they are used repeatedly by different people or to research various aspects of a given problem. This saves a great deal of valuable time spent in routine selection and classification of information. Under contemporary conditions, a computer can do this in a few minutes, whereas this would take a person a minimum of several days. Particularly attractive is the idea of using additional software programs for creating algorithms or combining certain operations which are inherent in specific types of research.

An overall survey of foreign experience in the study of international talks and the diplomatic process in general, which includes the help of computers, reveals several basic trends:

- Sociological*: Above all the study concentrates on the interaction among the different governmental institutions and administrative models in making foreign policy decisions and on reciprocal relations in the course of the talks;
- Psychological*: The main attention here is focused on the influence of social and personality-psychological factors of the participants in the talks;
- Mathematical*: This is the main machinery for the study and use of game methods, based on various aspects of the mathematical theory of games. This category may also include efforts to apply mathematical linguistics and content-analysis in the study of a specific situation of the talks.

All of these methods do not provide in practice an overall and entirely accurate picture of the development of the talks. They are even quite easily subjected to the influence of the personality of the individual researcher or the practical worker who uses them.

The essence of a realistic and accurate study of political problems and processes, to repeat Lenin's familiar formulation, is found in the accuracy with which a given fact is established and its accurate positioning within the

chain of identical facts concerning the purposeful activities of groups, countries, classes, parties, and wings within the ruling leadership.

In this case, precision can be achieved exclusively on the basis of the scientific reproduction of the process or phenomenon, in which the criterion for such an accuracy should be the consistency between the results of a retrospective or combined analysis and the historical "development accuracy" of the process of phenomenon under study. Their further development should also be a leading parameter in determining the accuracy of the analysis.

In contemporary study methods, such a scientific reproduction which allows retrospections and projections can be accomplished only by using the facilities of modeling processes.

Science is familiar with a number of ways of modeling processes and phenomena, i.e., the creation, using various means of equivalents of such processes and phenomena, on a scale different from the actual one. Technically, the practical foreign policy forecasting in the United States, for example, uses three types of models:

Photographic—by analogy with a photographic picture;

Analog—in the form of various charts and systems;

Mathematical—in which the various factors and elements show a high degree of formalizing.²

The first two models are not suitable for the reproduction of the actual realities of foreign policy: The photographic, because of its static nature, and the analog because of the impossibility of presenting all aspects of the studied phenomena two- or three-dimensionally, with charts and plans. The most promising in this respect are the mathematical models. However, in the area of sociopolitical processes it is virtually impossible to quantify any analog information at our disposal if it is to be used as an initial base for an adequate model.

The creation of a variety of scales for the application of a number of quantitative study methods (such as the correlation between the frequency of publications by region and the appearance of situations of crises) did not yield satisfactory results. The attempts involving vectorial models also require a kind of scale. This means the introduction of subjectivism by individual specialists in setting up such scales at the foundations of the model itself.

All such models and methods can be used only as auxiliary means such as, for example, in determining the trends to be followed in the research, involving more advanced techniques or for purposes of additional verification of already obtained results. Despite the shortcomings we indicated in this science, for more than three decades studies have been conducted with a view to upgrading the effectiveness of purely mathematical or

interdisciplinary means of analysis of international relations and we could expect for such methods soon to become an important research tool.

Let us note that modeling is by no means the only way of study of political processes. The most widespread are the so-called logical-intuitive analysis methods, in which a given specialist, based on obtained facts and scientific information and his own empirical experience, will study a given phenomenon or process in international life. This is a fast and convenient way which does not require complex machinery or any special preparation of the materials on the subject of the study. It provides certain advantages to the researcher (the strict specialist) in a certain narrow area of the problems of the phenomenon under study, providing that this specialist is sufficiently well qualified. It is logical for this to affect the results of the study, which are usually quite asymmetric and, consequently, erroneous on the overall level, and therefore lacking any significant practical value. An attempt to create a certain counterbalance to such an asymmetry was the appearance of the series of analytical techniques, scientifically described as "corrective." Such techniques are nothing other than the familiar group means of research, ranging from situational seminars to the "Delphic technique."

They too failed to justify the hopes. They did help to reduce the negative influence of strict research specialization without eliminating subjectivism. Conversely, in some cases, they even contributed to its increase.

The exhaustion of the logical-intuitive method in itself became an important prerequisite for the application of mixed techniques based on the already known ones. The effectiveness of these techniques is also not rated as very high because of their generically inherent capacity of being subjectively influenced by the researcher.

All of this led to the search of new means which would exclude the subjective influence of the researcher himself, or at least reduce it to the possible minimum, on the one hand, and be based on the achievements of scientific and technical developments, which facilitate, optimize, and intensify the research process, on the other.

The model suggested in this article is an attempt to take into consideration all such requirements and obtain a number of additional possibilities.

The Stockholm Conference on Measures to Strengthen Confidence and Security and Disarmament in Europe was chosen as an example of a situation on international multilateral talks; the INFOS software was used as a basis for personal microcomputers of the IBM PC/XT/AT series. We shall not describe especially the features of this system, for they are quite well-known (the INFOS software is a Bulgarian development); furthermore, this is not the subject of this study.

In the development of the model we created a stereotyped structure for feeding the information from the conference documents. We took as a base the structure of

its activities by work agencies and types of documents used by such agencies. Furthermore, we included as indicators the time of introduction of the document, the country introducing it, the name of the representative, if such existed, the number of the document based on the indexing system adopted at the fora of the European process, and the problem discussed in that document. The material thus introduced in the computer's memory and, respectively, the IS files, has its own index formulated on the basis of the adopted stereotype, as follows:

Work agency—PL—plenary session;

A + B—meeting on the level of delegation heads;

A1, A2, A3, B1, B2—work groups on basic problems;

Problems—identified according to the classification of the Final Document of the Stockholm Conference, and an individual list of problems studied but not reflected in the Final Document;

Initiator—abbreviation of the name of one of the 35 participating countries;

Time—time of introduction in inverted order for easier processing based on the GGMMDD program;

Title document—CTex—coordination text; NP—nonpaper, etc.;

Number of the document—official number, if such exists (for example, non-papers have no number).

If a single document deals with several problems, it is broken down on the basis of meaning and logic principle of individual problems, according to the classification of the "Problem" indicator; the individual subdocuments are assigned the number of the entire document along with the additional figure on an ascending scale according to the sequence of the individual parts which, if necessary, makes it possible to restore the entire document in its original aspect.

The INFOS system of indices provides a structure of each document of the IS, identical for all. This document could be presented roughly as follows:

File: C: CSCE. DOI document: 3437.

Group: BZ.

Item: (97).

Country: FRG, France.

Time: 860515.

Doctype: NP.

Doc NR:

Text: Diplomatic ways will be used for communicating concerning observation and control.

With these documents and thus indexed, the INFOS makes possible the following: seeking an indicator base

on the indexing such as, for example, by country, and retrieval based on the combination of indicators such as, for example, country and problem. The retrieval through INFOS commands of the position held by the individual countries on a given problem and their classification chronologically would provide an accurate picture of the development of the debates and the reaching of an agreement. It is also possible to trace the etymological connection among the individual suggestions for the different time segments, using the capability of the INFOS to seek individual words or a great variety of word combinations in all documents. This function makes it possible also to compile a dictionary of key words, which could be further developed and enriched with synonyms and antonyms and, on this basis, using the principle of the theory of neighboring (or marginal) multiples, develop a system for the automatic recognition of characters presented as text formulations. This would bring the IS closer to the threshold of artificial intelligence and would make it possible to play out imaginary situations with a view to the conventional study of the reactions of other countries should one formulation or another be changed.

The use of this function in modeling changes in positions on a given matter require a series of commands which must be given for each problem by the operator or researcher through the keyboard. This operation can be automated by installing an additional INFOS control processor which allows the memorizing and repeated use of the algorithm by changing no more than a few input parameters. Such a processor makes also possible various graphic or text presentations of the data, coloring individual groups of problems or countries differently, and so on. The dialogue-returning principle on the basis of which the processor is structured allows the combination of the functional possibilities of the otherwise nonflexible process of data processing with the computer and the flexibility of the human intellect. As a result of such interaction the model acquires other extensive possibilities for data processing.

The dynamic tracking of the development of positions and changes in the proposals made by the individual countries makes it possible to introduce indicators on the reaction of the remaining participants using the evaluation (obtained from the study of the dynamic tracking) of the text of the proposal on the basis of the following parameters: acceptability-unacceptability in form and acceptability-unacceptability in content. This function makes possible to study the positions of one's own country and proposals which could be made, as well as to seek a compromise text. This is an exceptional convenience for the coordinators of individual groups or agencies.

Using the principle of coincidence-noncoincidence of views, the IS, together with the processor, provide extensive opportunities for detecting informal coalitions on some problems. The official: NATO, Warsaw Pact, "H + H" and EEC are given as a table of affiliation of the

countries and each command for retrieval of the positions of NATO, for example, or for comparing the positions of individual countries, and so on, is achieved in the same manner.

Obtaining a temporary "slice," or a dynamic play of step-by-step, according to the time indicator (a chronological series of "slices" through a specific time interval such as, for example, the day of the talks—second of computer time) makes it possible to detect the overall trends, while slicing in terms of time of changes in the positions of a given country could provide an indirect connection with other international events, such as a summit meeting, etc.

One of the trends in improving the model could be the breakdown of each of the introduced documents into individual, logically completed elements, consisting of key words or word combinations. The logical elements must be further indexed. In that case the automatic charting of graphics of the objectives of individual countries and tracing the ways and efforts to implement them become possible.

Such analytical techniques by no means exhaust the possibilities of this method. The purpose of this article, however, was above all to formulate the problem by emphasizing its significance and lack of adequate interest, particularly on the part of scientific institutes, and to suggest a relatively simple, modern, and convenient analytical instrument. For the time being we have no profound and comprehensive study of such problems.

The model itself is in the process of improvements. The initial results of its use offer the hope of obtaining a universal and simple means of the study of talks.

Footnotes

1. M.S. Gorbachev, "Perestroyka and New Thinking in Our Country and the Rest of the World," Partizdat, Sofia, 1988, p 249.

2. P. Petrov, "Vunshnopoliticheskoto Prognoziranje v SASht" [Foreign Policy Forecasting in the United States], Sofia, 1982, p 46.

Agricultural Collectivization Reassessed

22000101 Sofia ISTORICHESKI PREGLED in Bulgarian May 89 pp 56-67

[Article by Svoboda Gyurova: "Difficulties and Errors in the Mass Collectivization of Peasants in Pleven Okrug"]

[Text] The conversion from petty and scattered private farming to large-scale, mechanized, and highly profitable agriculture is a difficult and complex process. It has not only economic and political but also sociopsychological aspects.

This article is an attempt, on the basis of rich documentary data, most of which used for the first time, at

determining the reasons for the difficulties and distortions which occurred in the mass collectivization of farms in Pleven Okrug (in its 1949 territorial borders) at the start of the 1950's.

The survey of published materials and literature indicates that most authors have considered in their studies above all problems related to the socialist restructuring of agriculture.¹ Few examples are given to indicate violations of the principle of voluntary participation in the development of this process, and their consequences.

The building of socialism is related to profound revolutionary changes in society and the socialist restructuring of the economy. The radical social and economic changes in the countryside, however, clash with a number of sociopsychological difficulties, such as the attachment of the peasants to the land, social memory, and national traditions. For decades the toiling peasants farmed the land from which they extracted a living with hard work; the development of the TKZS meant for them to part with everything they had acquired and to submit it for common use.

For that reason the main task of the party is to convince the peasants in the advantages of the cooperative management of the land so that they could change their way of thinking and attitude toward society, i.e., to realize the need for the creation of TKZS. Lenin wrote that the "only" thing that is left in order to solve this problem is to make our population "civilized" to such an extent that it could understand all the benefits of joint participation in a cooperative, and to organize such participation. "Only" this.... However, in order to accomplish this "only," we need a full change, we need an entire period of cultural development of the entire people's mass. That is why our rule should be the following: "as little philosophizing as possible and as little craftiness as possible."²

According to Lenin, if a conscious participation in the collectivization of the land is to be achieved, "an entire historical age must pass. Nonetheless, this would be a separate historical age and without it, without general literacy, without a substantial degree of reason and without an adequate extent of teaching the population how to use the booklets and without the material foundations to this effect... we shall be unable to achieve our objective."³ This was a realistic view consistent precisely with the sociopsychological aspects of collectivization.

Lenin cautioned that in no case should we allow coercion: "conversion to the common cultivation of the land can be only voluntary; the worker-peasant government must not allow even the slightest coercion in this respect and nor should it be allowed by the law."⁴ He stressed that the collectivization of agriculture should take place gradually, starting with the lower credit-consumer forms of cooperatives to their higher agricultural production forms.

The decision was made at the Fifth BCP Congress (December 1948) to undertake in the near future the mass collectivization of agriculture, which meant that

the change should take not an entire historical age, as Lenin advised, but be accomplished within a short time, in the course of which tradition and related social mentality, which had taken decades to develop, were to change drastically. The party members in the villages were to unanimously accept the advantages of the cooperative idea and work for its implementation.

Some BCP members in the countryside realized this and actively participated in the organization of cooperatives, motivated by profound convictions. Others, however, found it difficult to surmount their private-ownership mentality. They pretended to accept this but in practice, stood aside from the movement for the cooperative cultivation of the land. Finally, some party members, who had proved during the difficult time of the antifascist struggle their loyalty to the party's ideas, felt that the application of the cooperative idea after the 9 September victory did not coincide with their ideal which had developed in the recent past. They sharply reacted to the means applied to promote collectivization and, for the time being, distanced themselves from it. The reason for this was mainly the errors allowed in the means of setting up cooperatives or else the lack of organization of the work in the newly created TKZS. It is thus that the question of the position taken by the communists arose, for they were obviously not unanimous in their assessment of the movement of the collectivization of the peasants.

According to available documents: "in all cases of consideration of the party's policy in the countryside, the BCP Central Committee emphasized that it is only on the basis of the systematic application of the principle of voluntary participation in establishing the TKZS that one could hope for lasting success. However, the practices used by the end of the 1940's and, particularly, the start of the 1950's, indicated a number of major deviations from this position by the central party leadership. In order to answer the question of why were such deviations allowed, we should indicate when and at what pace the mass collectivization of agriculture took place.

According to available data, on 31 December 1949 Pleven Okrug had 126 TKZS with a total of 15,053 cooperated farms (11 percent of all farms) with 513,094 decares of cooperated land (11 percent of the total). Only 1 year later, on 1 January 1951, there were already 178 TKZS with 81,307 cooperated farms (61 percent) and 2,972,523 decares of cooperated land (63 percent).⁵ These percentages were much higher in the grain-growing okoliyas. Thus, for example, as early as 30 October 1950, 84 percent of the farms and 76 percent of the land had been cooperated in Svishtov Okoliya; 84 percent of the farms and 74 percent of the land in Nikopol Okoliya, and 68 percent of the farms and 70 percent of the land in Pleven Okoliya.⁶

A close study of the data showing the process of mass collectivization of agriculture in Pleven Okrug at the start of the 1950's, however, unequivocally shows that joining the TKZS involved rushing the people. By 1 July

1950 31,514 farms (24 percent) and 961,372 decares of land (20 percent) had joined cooperatives. By 30 October 1950 the number of cooperated farms had already reached 79,105 (60 percent) with 2,906,257 decares of land (61 percent); in other words, in no more than 4 months the TKZS accepted 48,581 new members (36 percent) and 1,944,885 decares of land (41 percent).⁷

The situation in Pleven Okrug at the start of the 1950's offers numerous examples of the disparity between words and actions in the course of the collectivization process. The okrug BCP committee, the okoliya party committees, and the rural party organizations permitted gross errors and distortions. A close analysis of the facts indicates that they took place wherever the processes had been accelerated, the principles of voluntary participation and socialist legality violated, and persuasion and explanatory work replaced by gross bureaucratic administration and coercion. Such cases could be found virtually throughout the okrug. They were most frequent, however, in the practices of Lukovit, Pleven, Lovech, and Teteven Okolias.

Interestingly enough, the purpose of such violations was always the same: to carry out a task which was quite ambitious and impossible in terms of the objective conditions, of completing collectivization within a maximally short time. The violations of legality by the local party and administrative authorities varied in terms of their nature and manifestations, ranging from making false promises to setting conditions and applying gross pressure. In Uglen Village, Lukovit Okoliya, for example, in order to accelerate the mass collectivization, in the autumn of 1950 the farmers were promised that the state would undertake to feed those peasants who had become members of the TKZS and that their grain for seed would not be confiscated. Instead of gradual and patient agitation work with all likely candidates for joining a cooperative farm, general lists were drawn up and groups of 100 to 150 people were accepted simultaneously.⁸

Particularly grave violations of legality were allowed in Dermantsi Village, Lukovit Okoliya. This seriously compromised the idea of cooperatives. In this case, once again we come across a variety of violations, such promises that the cooperative farmers would be given an adequate amount of flour, taxes would be written off, and anyone would be given land for private use wherever he wished. Greater pressure was applied on the more stubborn people, who categorically refused to join the TKZS. Many farmers were threatened with having their land included in the "block," and told that whether or not they would receive land as compensation was not known. Others were informed that their children would not be allowed to attend schools or the university. In violation of the official resolution of the BCP Central Committee on engaging in patient explanatory work, illegal warnings became widespread without any fear of retribution on the part of the leading local and central authorities. For example, the local radio announced that the party had decided that some officials of the village

people's council would lose their jobs unless they become members of the TKZS by 8 am on the following day.⁹

Violations of the work style and methods were committed not only by the rural leadership but also by members of the okoliya people's councils who, usually, were authoritative party figures as well. For example, a meeting was organized in a classroom in Dermantsi Village in connection with establishing a cooperative farm, attended by the TKZS chairman and the head of the agriculture department of the Lukovit Okoliya People's Council. Instead of preparing themselves properly and convincingly, with proper arguments, to emphasize to the peasants the advantages of the cooperative, they irresponsibly chose the easiest and, alas, the most discrediting way of implementing party policy.

The officials in charge drafted in advance two different statements to be signed by the peasants. The first stated that the undersigned was "against the TKZS, that he was an enemy, and was in favor of the war;" the other stated that he was "for the TKZS and against the war." This gross violation of the will and speculating with traditional feelings triggered a stormy reaction among those present. Two people, in an effort to avoid the signing of such imposed declarations, were able to escape through the window. Matters went so far that the party organization secretary and the chairman of the TKZS beat up a peasant who refused to join the TKZS.

Such actions by leading officials disturbed most peasants, triggered their discontent, and developed in them hostility toward the authorities. It was thus that irresponsible political actions, allegedly in favor of socialism, repelled the rural masses from it. Such were the severe sociopsychological consequences of the violence and distortions which were characteristic of the years of the cult of personality. The paradoxical result was achieved, in that the cooperative idea, which should have been related to the brightest ideals of the peasants, became a difficult alternative imposed by force.

The local leadership displayed inconsistency and injustice in its agitation activities. It declared a good average farmer, who was not a member of the TKZS, an enemy and a kulak. The front of his house was defaced with graffiti and he was forbidden to shop in the "Khoromag." Having surrendered to the pressure and joined the TKZS, even before the accusations on the walls of his home had been removed, the local radio would name him as an example: "Follow the steps of the good farmers, members of the Fatherland Front, by...." As a result of such coercive activities, in no more than 2 days more than 800 people joined the TKZS.¹⁰

The threat of imposing excessive state delivery quotas and unfair exchange of land was another method for applying moral pressure on the peasants who rejected the cooperative idea. Thus, in Dzhurovo, Vidrare, Ravnishte, and Malka Brestnitsa Villages, Teteven Okoliya, the farmers joined the TKZS under the threat of having additional state delivery quotas imposed upon

them—potatoes and butter—and told that in the exchange of land they would be given the rocky areas.¹¹

The labels "kulak" and "enemy of the people" were generously used as a means of exposing anyone who either showed reservations or openly refused to join the TKZS. This category also included peasants who pointed out the errors made in promoting the cooperative idea. Thus, the names of average peasants and good farmers were put on the blackboard along with the names of the rich who hired outside labor and people who fiercely opposed the new system.¹² As a result of gross distortions in collectivization, 6 years after the victory of 9 September, the party faced the serious threat of losing its influence among some of the middle peasants.

Along with the errors and illegalities committed in some areas in urging the peasants to join the TKZS, there also were distortions related, above all, to violations of the model statutes. This too compromised the idea of cooperatives in a number of villages. In this case the ambition was not only to increase the number of people joining the TKZS but also, illegally, to enlarge the size of the cooperative property. Such actions repelled even those who had already joined the cooperative farms.

In some cases the TKZS leadership would take over the entire land, leaving no land for private use by the farmers. Such cases occurred in Novachene, Mechka, Gigen, and Debovo Villages, Nikopol Okoliya, and Oresh, Pavel, and Strakhilovo Villages, Svishtov Okoliya. In those villages the administrative councils were not convinced that land should be left for personal use and decided to deprive the members of cooperatives of it.¹³ Only 23 of the 34 cooperative farms in Lovech Okoliya left land for personal use.

The choice of brigade and link leaders is a very important problem related to the organization of labor in the TKZS. The skill and ability of such cadres greatly determine the unification and cohesion of the people and their involvement with the cooperative farm. In some areas the economic councils imposed unpopular brigade and link leaders. Most frequently they appointed to such positions their relatives and friends while others were appointed on a temporary basis only.¹⁴

In some TKZS's the cooperative farmers were not issued labor books, for which reason 50-60 or even as many as 100 labor days were not credited to their accounts. The brigade leaders recorded the labor days on bits of paper that were not kept, and it was difficult to obtain information from the bookkeeping department.¹⁵ The question arose once again of the poor work style which was destroying in the public mind the attractiveness of the cooperative idea. The question logically arose that if a cooperative farmer had been coerced to join the TKZS, left without land for personal use, and not ensured regular work or his labor days had not been credited, how would he behave? The combination of so many errors was rare. However, some of these violations became daily practice. They left their bad mark on the

normal work of the TKZS and the moods of cooperative members and private farmers.

Quite frequently, particularly during the mass organization of the TKZS in 1950, the membership of the cooperative farmers was not processed in accordance with the stipulations of the model statutes. It was based on a list, for forms on the basis of which land, livestock, and inventory were contributed, were not filled. For a time, although a short one, the peasants had no definite status. They were both members of cooperatives and private farmers. After the legal processing of membership was undertaken, hesitation had once again developed in the people and could not be eliminated even by the most persistent agitation. Numerous violations were allowed to occur in structuring the land and establishing the cooperative blocks, confiscating construction materials for the TKZS from peasants who had been declared kulaks and enemies, and forcing private farmers to participate in the building of cooperative premises.¹⁶

Violations, errors, and distortions provided favorable grounds for a wide range of reactions, from outbreaks of spontaneous discontent to planned hostile acts committed by individuals opposing the people's democratic system. Such actions varied in terms of nature and purpose, ranging from direct sabotage of the TKZS to open opposition to the BCP and the people's democratic system and, in general, to the party's policies in the countryside.

At the start, as early as the 1940's, the opponents of change declared themselves both against the socialist alternative in the development of the country as well as against collectivization. In the course of their agitation they took up the rumors which had been spread as early as the 1930's by Bulgarian official propaganda that in the Soviet Union "both land and women were common property." As a means of applying moral and political pressure, at the start of the 1950's the enemies of socialism wrote threatening anonymous letters, issued illegal appeals and slogans, etc.¹⁷

In Lenkovo Village, Nikopol Okoliya, a party member was threatened with beheading; in Dubovan Village, the party and Komsomol secretaries were warned that they would be skinned alive and melted into soap.¹⁸ In Asenovo Village, inhabited by Roman Catholic peasants, the talk was that Catholics who became members of the TKZS would not be buried in Catholic cemeteries.¹⁹ One of the most malicious rumors was that after the peasants joined the cooperatives, the children of the members of the TKZS would be taken to Siberia.²⁰

The death threats were the work of those who continued to promote the restoration of the old system. However, they were not responsible for the mass aspect of the rural discontent. Let us add that the discontent felt by the broad rural masses, caused by the errors made during the period of collectivization, was suitable ground for increasing the restoration efforts. Distortions in the villages turned some of the peasants from allies of the

working class into an environment which, if not supportive, was at least passive toward reactionary activities. This further worsened the situation of the villages in the okrug.

In a number of places the malcontents were not satisfied merely with threats and coercion, but turned to acts of terrorism and organized provocations. A bomb was exploded in Makhatala Village (today Pelovo City).²¹ The house of the chairman of the village people's council was set on fire in Svishtov Okoliya.²²

During the mass collectivization, the actions of some party and economic managers in Pleven Okrug clashed with the policies of the party and the government in the countryside. At the beginning of December 1950, the leadership in Yablanitsa Village, Teteven Okoliya, took action against 11 middle peasants. Their names were written on the blackboard and it was proclaimed (totally illegally) that they had been deprived of political rights. They were forbidden to shop in the stores.²³ These were gross violations of legality which not only repelled but also embittered the majority of the village population.

On 19 March 1951 the BCP Central Committee passed a resolution condemning the distortions of party and governmental policy, manifested in the gross violations of the Constitution and the people's democratic laws in Yablanitsa Village, Teteven Okoliya.²⁴ In that connection, the BCP Central Committee resolved that the primary party organization in Yablanitsa Village be dissolved; the Teteven Okoliya Party Committee was instructed to reregister the party membership and to set up a new party organization, to provide practical assistance in its strengthening and in improving ideological and political work in the village. The attention of the Pleven Okrug Party Committee was drawn to inadmissible cases of violation of people's democratic law in Teteven Okoliya. The okrug committee was ordered to reprimand the guilty party members. It was recommended that all the necessary steps be taken to prevent any whatsoever violations of party and government policy in the okrug.²⁵

The Pleven Okrug BCP Committee took steps to implement the resolution and to explain it to the toiling peasant. On 22 March 1951, a plenum of the okoliya party committee was summoned in Teteven, which condemned the gross violations of socialist legality and earmarked steps for the struggle against errors and distortions. The actions of the communists, which had brought about such negative phenomena during mass organization of TKZS in Teteven Okoliya, were once again considered seriously and profoundly at the 4 and 5 April 1951 okoliya accountability and election BCP conference.²⁶

The party organization in Yablanitsa Village was disbanded. The membership of those who had committed gross violations and of some individuals about whom it was deemed that their origin was not consistent with the requirements of party membership, was not renewed. A

new party organization, numbering 40 members and candidate members, was created, replacing the old organization which had 65 members.²⁷ Also expelled from the party was the member of the okoliya BCP committee bureau in Teteven who had participated in the promulgation of the order.²⁸

In accordance with the resolution of the Pleven Okrug BCP Committee, representatives of the Communist Party, the Fatherland Front, the BZNS, and the Komsomol were assigned from various cities and villages to attend a conference to discuss the resolution and take specific steps to correct weaknesses and errors.²⁹

Considering the discontent which existed, the resolution was misinterpreted in a number of villages. It was interpreted a weakness displayed by the party and the authorities, for which reason instead of bringing calm in some areas the resolution was followed by actions mounted against the TKZS.

On 30 March 1951 men and women gathered in front of the council building in Trushtnik Village, Pleven Okoliya, chanting: "Give us back our fields and cattle," "we were forced to join the TKZS," "we want to work our own fields."³⁰ The same evening about 120 appeals were distributed which read as follows: "Brother peasants, come to your senses, stand on guard for your hour has struck."³¹ On 1 April 1951, in the course of no more than a few hours, 150 requests to resign from the TKZS were submitted in Dishevitsa Village. On 2 April 1951 an appeal was found in Obnova Village, which read: "Brother Bulgarians, calm down, the hour is close. We are passing through all villages."³²

Similar cases were noted elsewhere as well. By 30 March 110 requests for withdrawal from the TKZS were filed in Lesidren Village, Teteven Okoliya; a conference was convened in Gloghene Village to organize the signing of an appeal against the TKZS, supported by some 200 people.³³ In Beglezh Village, Pleven Okoliya, on the evening of 7 April 1951, after a signal was given by exploding a bomb, a crowd of men and women marched to the building of the village people's council shouting: "We do not want the TKZS," and "give us back our cattle," after which they marched to the barns of the farm. This action was prevented under the leadership of the party organization, but on the following day in the morning, more than 200 head of cattle were looted.³⁴ Submissions of petitions to leave the TKZS continued in the days that followed. In Bukovluk Village, Pleven Okoliya, 57 out of 127 members submitted petitions. A demonstration was organized on 9 April and people in the crowd broke the windows of the council.³⁵

In Nikolaevo Village, Pleven Okoliya, the disturbances assumed the dimensions of a mutiny. On 8 April 1951 in the evening flames burst out on either side of the village. The thatched roofs of two brick kilns were set afire. They had been placed on an elevation and thus they could be seen by anyone ready to back the action. Some 300-350 men, women, and youth gathered, and proceeded to

the barns. The local leadership took immediate measures to strengthen the guards and informed the okoliya center of the intention of the mutinied peasants to loot the cattle. The efforts of the village leadership and the militia to persuade the peasants to disperse and go home and to raise calmly on the next day the question which excited them, took more than 7 hours.

However, nothing was able to stop and pacify the mutinied peasants, who were the first to use weapons by wounding two militiamen and throwing a rock at the representative of the okrug Komsomol committee, who was hit on the head. In the exchange of fire which broke out with the militia, a man and a woman were killed and eight people were wounded. The peasants dispersed only at 3 pm, after a company of MVR troops arrived from Pleven.³⁵ This effort at disbanding the cooperative farm ended tragically. However, it indicated the extent of the discontent which could be triggered by errors and distortions and the way

they were used by dissatisfied elements in organizing the counteraction to the socialist changes in the countryside.

The greatest disturbances among peasants and TKZS members broke out in Pleven Okrug in April 1951. By 12 April 1,922 petitions for withdrawing from the TKZS had been submitted in Lukovit Okoliya;³⁶ by 19 April they had reached 3,179.³⁷ The largest number of petitions were filed in the following villages: Dermantsi, 931; Uglen, 546; Rakita, 523; Toros, 361; Sadovets, 346; and Radomirski, 290. On 9 April 600 head of cattle were looted in Sadovets Village.³⁸

By 19 April 1951 1,637 petitions for withdrawing from the TKZS had been filed in Lovech Okoliya;³⁹ by 26 April they reached 1,986.⁴⁰ The largest number of petitions were filed in Dragana, Letnitsa, Ugurchin, Doyrentsi, and Vladinya Villages. On 9 April 100 head of cattle were looted in Stoyanovo Village.⁴¹ Almost everywhere the signal for the rallying of the malcontents and the hesitating cooperative farmers was an explosion.

Table 1

Petitions for Leaving the TKZS Filed and Withdrawn⁴²

No	Okoliya	Petitions Filed	Petitions Withdrawn	Remaining Petitions	No of Villages
1	Pleven	1,896	752	1,142 ^a	30
2	Pleven City	63	62	1	2
3	Lukovit	3,200	630	2,570	11
4	Nikolaevo	43	29	14	5
5	Svishtov	500	129	311 ^a	19
6	Lovech	2,118	340	1,778	23
7	Troyan	211	16	195	4
8	Teteven	213	3	210	5
	TOTAL	8,242	1,961	6,281	99

^aas published

The data show that petitions for withdrawal were filed in 99 of a total of 189 TKZS in Pleven Okrug. A total of 9.87 percent of the members of cooperative farms wanted to withdraw. Of a total of 8,242 petitions, 4,985 were filed in 15 village, most of which in Lukovit Okoliya.⁴³ The number of withdrawn 1,961 petitions did not exceed 23.79 percent. Most of them were withdrawn in April 1951 after extensive explanatory work was carried out among the cooperative farmers.

The reasons which the cooperative farmers emphasized in their petitions for leaving the TKZS were interesting. Marxist historiography pays great attention to this type of source. According to Lenin, these are human documents.⁴⁴ Some of the peasants wrote that they became members of the TKZS by accident, in the heat of the moment.⁴⁵ The most frequent reasons were coercion to join the TKZS. In his petition, a cooperative farmer from Debnevo Village, Troyan Okoliya, wrote: "In the

mass organization of TKZS, I became a member of the same because I was coerced and threatened with internment."⁴⁶ Most of the petitions point out that the income earned from the TKZS does not allow the cooperative farmers to support their families.⁴⁷ In some cases more personal reasons were pointed out, such as the disagreement of one of the members of the family, illness or advanced age, and impossibility to participate in the work of the farm.⁴⁸ Such cases, however, were not predominant among the arguments cited in favor of withdrawing from the TKZS.

The documents clearly indicate that most of the petitions were the reason of weaknesses and errors committed by party, state, and economic managers. It is true, however, that the agitation by the opposition to the movement for the collectivization of the land, to which objections caused by the illegal actions of the authorities were welcome, were also largely to be blamed for the increased

discontent. This is confirmed by the fact that some of the petitions were written in the same handwriting; others emphasized the very same reasons, etc.⁴⁹

Unfair decisions, which violated the model statutes and increased the discontent of the cooperative farmers, had an adverse effect on the work of the cooperative farms. This is confirmed by the petitions of expelled cooperative farmers who described the reasons for this punishment. Other documents indicate the way the inability of TKZS managements to use the personnel repelled the peasants from the cooperative farms and encouraged migration moods.⁵⁰

Numerous individual and group petitions for leaving the cooperative farms, cases of improperly expelled cooperative farmers and, particularly, the disturbances in a number of villages made necessary a discussion of the reasons for the discontent and the taking of steps to end inadmissible actions. On 30 April 1951 the Pleven Okrug BCP Committee Buro heard a "Report on Distortions of Party and Governmental Policy in the Okrug and the Struggle Against Them." The report pointed out that information on violations of the law in some villages and okoliyas had reached the okrug party committee buro even earlier. However, until the BCP Central Committee resolution on distortions of party and governmental policy in the Kula area and in Yablanitsa Village, Teteven Okoliya, had been promulgated, "the okrug committee and its buro had adopted a slow, lighthearted and largely irresponsible attitude toward such a serious problem. We failed clearly to realize the harm which this was causing in relations between the party and the people's democratic authorities and the poor and middle village masses."⁵¹

The events of April 1951 in some Pleven Okrug villages were typical of the condition and work of the primary party organizations and the local leaderships. Gross distortions were allowed to occur where these organizations were the weakest and the leading cadres lacked authority, had become arrogant, and had shown a callous attitude toward the needs of the working people.⁵²

The okrug BCP committee tried to determine the reasons for the critical situation in some villages. The most important was defined as follows: "The okoliya committees and the village primary party organizations and even the okrug committee frequently get mired into secondary tasks, taking over the functions of the people's councils and engaging in bureaucratic administration rather than persuasion.... Our political work is weak, particularly with the local cadres. We can clearly say that the worst fault is the superficial approach to cadres."⁵³

The second reason noted is failure to implement the resolutions of the Third National Party Conference on developing a broad aktiv of nonparty people who could strengthen the ties between the party and the broad masses of poor and middle peasants. Third was the lack of control on the part of the okrug committee over the implementation of the tasks by okoliya party committees

and primary party organizations. It was emphasized that in frequent cases the received information was irregular and, sometimes, wrong. The okoliya party committees in Lukovit, Nikopol, and Lovech did not report violations in their areas and were trying to conceal unpleasant occurrences.

It was above all the party workers, i.e., the people on whom one should rely in accurately implementing political leadership in agricultural cooperation, who assumed the major responsibility for the violations, errors, and distortions. That is why, depending on the violations and errors, the party members were punished in a variety of ways. The okrug party committee secretary was released from his position and reprimanded. About 200 party members were expelled for participating in the looting of the cattle and inventory, submitting petitions for withdrawing from the TKZS, beating up other people, and engaging in gross administrative malpractices. Another 70 people were punished for violations of socialist legality. Two party secretaries, two chairmen of village people's councils, and 23 chairmen, brigade leaders, and team leaders in TKZS were relieved from their positions.⁵⁴

It was reported that by 24 April 1951 more than 900 errors had been corrected. Errors in replacing the land of 231 farmers were corrected; 277 cooperative farmers were given land for personal use; the land of some 300 people who had been coerced to join the TKZS was returned along with the cattle and inventory (most of them in Dermantsi Village). The membership in the TKZS of 242 people was processed.⁵⁵ Obviously, efforts were made to correct the various violations.

The okrug BCP committee buro instructed the okoliya committees to send to the villages where distortions had been allowed to occur responsible and well-trained party workers, to help them. By 5 May all buro members were assigned the obligation to visit a certain okoliya and check on the implementation of decisions on strengthening the rural party organizations, the organization of mass political work, and the correction of errors.⁵⁶

A detailed study of the problem related to mass collectivization of agriculture was made at the annual accountability and election conference of the Pleven Okrug party organization, which was held on 2 and 3 June 1951. In the report the period was described as important in the reorganization of agriculture and its conversion into large-scale collective, mechanized farming. A total of 189 TKZS, numbering 79,713 members and totaling 2,924,836 decares of arable land had been organized, i.e., 64.4 percent of the land had become part of the cooperatives.⁵⁷ It was emphasized, however, that "to a great extent such collectivization had been done without organization or, metaphorically speaking, using the tactics of a 'cavalry attack,' exerting pressure on wavering

peasants to join the TKZS," for which reason it was established that "we found ourselves at the tail end of this movement and were unable to head and guide it."⁵⁸

The report also noted that some party members officially approved the BCP Central Committee resolutions but believed that they did not have to implement them precisely and systematically. For that reason they allowed themselves "to make all sorts of promises, to threaten, to beat up on people, ignoring the resolutions and warnings of the Central Committee against running things like local satraps and ignoring all possible laws and resolutions."⁵⁹ The okoliya committees which knew of many irregularities but showed unjustified tolerance of such scandals were sharply criticized.

An interesting admission related to the establishment of TKZS was made: "We overestimated the TKZS," the report read, "as a form of socialist farming. We did not fully appreciate the fact that unless the farms are strengthened and unless the party provides a close leadership and unless the enemies within them are not exposed and expelled, the work may not go well.... Such harmful complacency, dulled vigilance, and political shortsightedness prevented us from seeing clearly and promptly our major weaknesses which we allowed in building and working to strengthen the TKZS, and the great weaknesses of party work in the countryside."⁶⁰

As a result of the steps which were taken, some 3,000 errors and distortions were corrected. A total of 240 members were expelled, 15 party secretaries were dismissed from their positions, 165 administrative punishments were imposed, and 35 chairmen of village people's councils, TKZS, and heads of brigades and links were dismissed.⁶¹

Not only the local party authorities were to be blamed by these weaknesses. Although having assumed the task of eliminating the weaknesses for which it was not considered itself guilty, the BCP Central Committee could not be considered free of responsibility. It was obvious that the acceleration of the pace was not an ambition exclusively of Pleven Okrug. Unquestionably, the task had been assigned by the party's leadership which, throughout the entire time, had been supplied with information on the course of the collectivization campaign. The stormy discontent of the peasants, which could not be suppressed through the use of impermissible means, became the reason for the passing of the 19 March 1951 resolution and for changes in the party tactics concerning collectivization.

A BCP Central Committee plenum at which problems related to the party's work in the villages were discussed, took place on 23 April 1951.⁶² The plenum approved the suggested steps aimed at eliminating errors and weaknesses allowed in the course of collectivization. The party's attention was focused on strengthening the TKZS. "In the area of the cooperative movement," the resolution reads, "the main attention was focused on

consolidating the achieved successes and the organizational-economic strengthening and improving the health of cooperative labor farms."⁶³

The plenum's resolutions proved that, once again, the line taken of agricultural cooperation was not questioned and the true reasons for the weaknesses and errors were not brought to light. This is also confirmed by the stipulation that by 1 July "unstable and fluctuating elements who are as yet unable firmly to implement the party line in the countryside must be demoted to candidate members."⁶⁴ This means that the culprits for the difficulties were sought among the local party and administrative leadership, and that no effort was made to provide a critical evaluation of the line charted for collectivization.

In Pleven Okrug, as throughout the rest of the country, the mass collectivization of agriculture was carried out within an exceptionally short time. This created prerequisites for errors, distortions, and violations of socialist legality. The logical question which arises, however, is the following: Should the reasons for this be sought exclusively in the accelerated pace, the improper style and work method of the party and state institutions, and the lack of preparedness of the peasant masses?

The answer to this leads to another question: Was full use made of the tradition of collectivization, which predated 9 September, and to what extent were the cooperative labor farms the only and most suitable form: was it not necessary to seek other forms related to that tradition, which could have appeared more promising and more viable?

Footnotes

1. P. Kolev, "The BCP Struggle for a Great Change in Agricultural Collectivization," *IZV. NA VISSHATA PARTIYNA SHKOLA*, No. 4, 1959; V. Nikova, "Borbata na BKP za Kooperirane na Bednite i Srednite Selyani (1944-53)" [The BCP Struggle for the Collectivization of the Poor and Middle Peasants, 1944-53], Sofia, 1964; T. Tanev, "Borbata na BKP za Organizatsionno-Stopansko i Politicheskoto Ukrepvane na Trudovo-Kooperativnite Zemedelski Stopanstva" [The BCP Struggle for the Organizational-Economic and Political Strengthening of Cooperative Labor Farms], Sofia, 1964; G. Nenchevski, "The Bulgarian Village on the Path to Socialism (1944-47)," *ISTORICHESKI PREGLED*, No. 4-5, 1974; P. Kunin, "Protsetsut na Izgrazhdane na Sotsialisticheskaya Sroy v Bulgarskoto Selo. Sushtnost i Zakonomernosti" [The Process of Building a Socialist System in the Bulgarian Countryside. Nature and Patterns], Sofia, 1977; D. Peschani, "Bulgaro-Sovetskoto Sutrudnichestvo pri Sotsialisticheskoto Preustroystvo na Selskoto Stopanstvo v NR Bulgariya 1944-58" [Bulgarian-Soviet Cooperation in the Socialist Restructuring of Bulgarian Agriculture 1944-58], Sofia, 1977; M. Trifonova, "BKP i Sotsialisticheskoto Preustroystvo na

Selskoto Stopanstvo 1944-58" [The BCP and the Socialist Restructuring of Agriculture 1944-58]. Sofia, 1981.

2. V.I. Lenin, "Suchineniya" [Works], 2nd ed. vol 33, p 470.

3. Ibid.

4. Ibid., vol 29, p 28.

5. OPA—Pleven, f. 3, op. 2, a.e. 10, l. 22.

6. Ibid., a.e. 15, l. 115; a.e. 419, l. 48; a.e. 457, l. 96.

7. Ibid.

8. Ibid., op. 3, a.e. 8, l. 200.

9. Ibid., a.e. 7, l. 135; a.e. 8, l. 200.

10. Ibid., a.e. 29a, l. 24.

11. Ibid., a.e. 8, l. 132.

12. Ibid.

13. Ibid., l. 201.

14. Ibid., a.e. 7, l. 135.

15. Ibid.

16. Ibid., l. 109; a.e. 8, l. 132-133.

17. Ibid., a.e. 10, l. 263.

18. Ibid., a.e. 419, l. 70; a.e. 506, l. 22.

19. Ibid., op. 2, a.e. 9, l. 56.

20. Ibid., a.e. 214, l. 108.

21. Ibid., a.e. 11, l. 58.

22. Ibid., a.e. 10, l. 259.

23. Ibid., op. 3, a.e. 9, l. 50.

24. "BKP v Rezolyutsii i Resheniya na Kongresite, Konferentsiite i Plenumite" [The BCP in Resolutions and Decisions of Congresses, Conferences, and Plenums]. Vol 4, Sofia, 1955, p 292.

25. Ibid., 292-293.

26. OPA—Pleven, f. 3, op. 3, a.e. 8, l. 133.

27. Ibid.

28. Ibid.

29. Ibid., a.e. 539, l. 22.

30. Ibid.

31. Ibid., l. 20.

32. Ibid.

33. Ibid.

34. Ibid., l. 3.

35. Ibid., l. 38-39.

36. Ibid., a.e. 506, l. 11-13.

37. Ibid., l. 20.

38. Ibid.

39. Ibid., l. 21.

40. Ibid., l. 44.

41. Ibid., l. 11.

42. TsPA, f. 1, op. 13, a.e. 330, l. 142; OPA—Pleven, f. 3, op. 3, a.e. 2, l. 202.

43. OPA—Pleven, f. 3, op. 3, a.e. 2, l. 202.

44. S.Y. Yakubovskaya, "Source Study and Study of the History of Soviet Society," VOPROSY ISTORII No 5, 1961, pp 3-34.

45. TsDA na NIB, f. 89, op. 31, a.e. 106, l. 281.

46. Ibid., l. 166.

47. Ibid., a.e. 97, l. 267; a.e. 98, l. 145-150.

48. Ibid., a.e. 91, l. 33; a.e. 107, l. 320; a.e. 111, l. 217; a.e. 97, l. 266; a.e. 98, l. 297; a.e. 96, l. 57.

49. Ibid., a.e. 97, l. 267-320.

50. After being expelled from the TKZS, a cooperative farmer from Mechka Village, Nikopol Okoliya, wrote the following to the Ministry of Agriculture: "Due to the fact that I am old and have a physical disability and that my son was attending school, and neither of us could participate in production, we were expelled from the TKZS without having been given back our fields or cattle and inventory.

"For that reason I offer and gift to the State Land Fund all my fields, truck gardens, etc., in Mechka Village, Nikopol Okoliya. I beg that same be deleted from my file and that in the future both I and my son be considered as landless. I intend to support myself in the future as a worker or employee in the city.

"In the past, I was bookkeeper in a credit cooperative for 16 years and, unless I am not prevented, I could also become an intellectual worker." Ibid., a.e. 110, l. 241.

51. OPA—Pleven, f. 3, op. 3, a.e. 7, l. 133.

52. Ibid., l. 134-135.

53. Ibid., l. 136.

54. Ibid., l. 137.

55. Ibid., l. 137-138.

- 56. Ibid., I. 111.
- 57. Ibid., a.e. 29a, I. 23.
- 58. Ibid., I. 23-24.
- 59. Ibid., I. 26.
- 60. Ibid.
- 61. Ibid., I. 27.
- 62. "BKP v Rezolyutsii i Resheniya.....," 296-301.
- 63. Ibid., p. 299.
- 64. Ibid.

CZECHOSLOVAKIA

Regime in Prague Still Undetermined

23000225 Frankfurt/Main FRANKFURTER
ALLGEMEINE in German 24 Aug 89 p 3

[Article by Viktor Meier: "Prague's Concrete Blockhouse Keeps Getting Shakier"]

[Text] Vienna, 23 August—Police violence at Prague's Wenceslas Square three times each year appears to have become a fixed feature of the Czechoslovak socialist order: on 21 August, the anniversary of the 1968 invasion; on 28 October, the old and recently reinstated national holiday; and on 16 January, the so-called Jan Palach Day. Compared with previous years, the last police beatings on the anniversary of the events of 1968 were moderate. In the opinion of observers, the reason for this is the fact that this year the "Charter 77" adherents did not participate directly, while issuing warnings about the evil intentions of the government and its police. Still there were enough opportunities for the police to demonstrate its anti-Western feelings in the usual manner, though it is less than anxious to have its activities shown on Western television. Should the Prague regime continue to give free rein to its police, which has practically become traditional in communist Czechoslovakia, the problem of the treatment of foreigners, tourists and others by Czechoslovak police officials may someday become a serious political problem.

The official party newspaper, RUDE PRAVO, did not carry an article this past 21 August which either praised or justified the 1968 incursion. Such praise is becoming ever more difficult in view of the fact that one by one the interventionists of that time seek to downplay their participation. The Polish parliament and the Hungarian party leadership have done so freely. On Soviet television and in IZVESTYA there were features which unofficially preempted such disavowals. Gomulka and Ulbricht, rather than the Soviets, were depicted as the principal villains. Possibly next year the Moscow leadership will officially acknowledge a "mistake." Off the record, Soviet commentators indicate that the present

intention is to accommodate the "delicate situation" of the present leadership in Prague and to save it from embarrassment.

The "embarrassment" consists of the fact that most members of Prague's top leadership have come by their careers and present jobs entirely as a result of the Soviet intervention or their approval of it. So long as the "concrete blockhouse," consisting of Messrs Jakes, Husak, Fojtik, Indra, and Hoffmann is in charge, there can be no question of reasonable reforms in Czechoslovakia—neither economic nor political ones. As bad luck will have it, even some of the members of the next generation, such as party chief Stepan, are attracted to the "blockhouse" rather than to join the reformers.

Many of these "new" people are former officials of the youth organization, who have never had any other political or other education. At the same time, there is pressure for changes in the lower party ranks also.

The Wenceslas Square demonstrations make their effects felt in two directions: for the long term, they help to discredit the regime, even though they do not point up any political alternatives; for the short term however, they drive the insecure officials even further on the road to stubbornness and inflexibility. Dubcek, the 1968 party secretary, has become a favorite subject for interviews in neighboring communist countries, which have their effect on Czechoslovakia also.

The regime shows signs of crumbling in some spots. The government headed by Prime Minister Adamec has become a lobby for reforms and "dialogue." However, its competence is largely restricted to the economy. And it must be careful not to be held responsible for the growing list of shortages. Recently the government appeared to have gained an ally in Slovak government head Knotek, who heads economic planning in the Central Committee organization—at least for economic reforms. They too are at a standstill. While relative independence for enterprises has been decided upon, no reorganization of central planning and management has taken place as yet. The regime has recommended the reestablishment of the "National Front" as the only way to introduce some semblance of democratization. Contrary to its expectations, some tendencies toward independence are suddenly manifesting themselves, including the "Socialist Party," which has existed largely on paper to date.

Publications distributed by Czechoslovak embassies in foreign countries seem to have a new tenor. They plead for understanding for the fact that every socialist country must find its own way toward reforms these days. They claim that Czechoslovak traditional "circumspection" makes for deliberate speed in adopting other peoples' experiences. Czechoslovakia, they indicate, does not wish to isolate itself. There are admissions of the fact that the events in Hungary and Poland have an impact upon the thinking of Czechoslovak society. These publications also report, in an unexpectedly positive way, on

a meeting between Cardinal Tomasek and Deputy Prime Minister Lucan. They relate that the cardinal, disdaining any political ambitions, has offered his services in solving social problems, including those deriving from the 21 August events. Many Czechs and Slovaks would no doubt be happy to see such upbeat reports not only in publications for foreign readers, but also in RUDE PRAVO. No such positive reactions greeted the appeal entitled "A Few Sentences," recently addressed by "Charter 77" and other citizens to the government, nor did the various petitions for greater freedom and reorganization. Reports come from the provinces almost every day about arrests and convictions of people who wanted to express their opposing opinions.

On the other hand it is a fact that the official party press continues to publish all Gorbachev speeches and other reports on perestroika from the Soviet Union. Thus every Czechoslovak citizen, unlike his counterparts in the GDR or in Romania, can be fully informed about developments here.

HUNGARY

Schools Change Courses, Content, Face Unemployment

Unemployed Russian Teachers

25000440 Budapest MAGYAR NEMZET in Hungarian
25 Jul 89 p 3

[Unattributed article: "On the Capital City Councils' Agenda: Language Selection, Improvement of Public Utility Services, Housing Construction"]

[Excerpt] The capital city council and the district councils will contribute between 23 and 26 million forints next year toward the retraining of Russian language specialists teaching in Budapest. Another 65 percent of the cost of retraining will be covered by the employment fund of the State Wage and Labor Office. As a result, the teachers affected will not have to bear the burden of paying for their retraining. This was one of several topics discussed at Monday's session of the capital city council's executive committee.

As it has been announced, starting from the 1989-90 school year, only one foreign language will be required to be taught in the grade schools. Matters pertaining to language selection will be decided by the school board upon consultation with the parents' association. According to the written appeal presented to the council, the decree has put the schools in a difficult situation because they lack the conditions necessary for the universal introduction of elective language education. It is expected that initially most parents will request the introduction of Western languages, even though there are not enough teachers to teach them. Ensuring full employment for today's Russian language specialists has become impossible, hence, in order to relieve tensions, provisional measures must be taken. One such measure

which provides for the retraining of Russian language teachers has, according to preliminary surveys, already attracted 1,132 applicants in Budapest. Of those, 1,100 have signed up for the learning and later teaching of another foreign language, while the rest of them have requested a different field altogether.

The council has decided to present an initiative to the minister of education, proposing to ease the requirements governing grade-school level foreign language teaching by enabling teachers, who already possess teaching certificates, to be brought on board simply by passing a language test of a certain difficulty level. After all, at the elementary level the focus of instruction is language training not the teaching of language structure and literature. [passage omitted]

Post-1945 History Texts Revised

25000440 Budapest MAGYAR NEMZET in Hungarian
25 Jul 89 p 3

[MTI report: "Textbook Situation in the Summertime"]

[Text] Most of the textbooks required for the new school year will be ready to be issued to the students in time.

As Gyorgy Telekes, deputy technical director of the Textbook Publishing Enterprise, has told MTI's correspondent, his enterprise is currently involved in editing nearly 1,300 different publications for the 1989-90 school year. The main difficulty hindering the printing of some 30 million copies has been the paper shortage.

Among the publications affected, according to the deputy technical director, is the freehand drawing textbook entitled "Kepek konyve" [Book of Pictures] written for first grade elementary school students, which owing to the domestic shortage of basic materials is now being printed on paper obtained from capitalist import. Judging from the way things look now, even in the best of cases it will not be until the middle of September that seventh graders will be able to receive their geography books and eighth graders can be issued their physics textbooks. Because of the ongoing reassessment of Hungary's recent past, that segment of the history book for eighth graders which deals with our country's post-1945 history is now in the process of being revised.

English Study Considered Privilege

25000440 Budapest MAGYAR NEMZET in Hungarian
25 Jul 89 p 3

[Article by Maria Konecz: "Who May Study English?"]

[Text] The minister of education has fulfilled a long-held wish of our learning youth by ending the mandatory teaching of the Russian language. We know that the possibility of selection is still only a theoretical one, because the administratively determined need and our corresponding language teacher training programs have brought few English, German, or French teachers into the profession.

Still it is not these conditions we would like to talk about here, but the manner in which children are selected to study a particular language. Every child—again only theoretically speaking—has the right to decide which of the foreign languages offered at his school he wants to study. The schools, however, as so often happens, have continued to ignore this natural and legitimate wish, and have gone even further by taking the decision out of the child's and the family's hands, and including among their selection criteria a number of discriminatory considerations.

There has been a rumor going around, confirmed by students of several capital city and provincial grade schools, that foreign language students are being grouped according to the results of their math and grammar test grades. Those who receive an A or a B on this one test are allowed to study English, while those turning in a D or a C performance are being sentenced to 5 years of Russian.

Aside from the fact that the flawless completion of an addition task is not enough to draw any conclusions pertaining to one's language aptitude, dividing high and not so high achievers between two foreign languages is in itself an indication of incredible pedagogical shortsightedness. And this procedure was not even the product of an untrained or inexperienced mind, but comes from teachers who love and know how to treat children. This, at least, is the conclusion we are forced to draw from the fact that even some of our practical schools—the institutions where the teachers of the future are being trained—have resorted to these kinds of practices.

Similar selection criteria are applied in some places even in deciding who deserves to wear the drummer-boy [young pioneer candidate] colors. Young children of good academic standing and exemplary or good behavior and effort are initiated, while the mediocre ones are placed on a "waiting list."

As long as there was no option of selecting, or pressure to make decisions in such matters, there were no problems in the schools. Everybody studied Russian, regardless of whether or not he spoke Hungarian. And everyone became a little drummer at the appropriate age. Now all of this has become a matter of inclination, determination, and occasionally perhaps even merit. However, since the schools are in part unwilling, and in part unable to properly gauge these factors, they have been resorting to—often questionable—assessments of academic progress for establishing their criteria, often by exacerbating the resulting disadvantages. Anna Beck, editor in chief of the periodical *GYERMEK ES IFJUS-AGVEDELEM*, and head of the educational editorial board of Hatter Publishers, will now address these problems.

[Beck] Dividing children into groups of "good" and "bad" is a form of stigmatization and condemnation. What this kind of categorization and the tying of language learning to certain levels of academic performance may result in is that, let us say, in Borsod county only

gypsy children will end up studying Russian. This is how prejudice slowly becomes ingrained in children, and this is how we deprive them of learning ways to adapt to one another and treat one another with tolerance.

[MAGYAR NEMZET] How should it be decided who will fall into what group?

[Beck] Let me answer with a question: Why should we choose and select among children? Why couldn't the entire class, all 25 children, study English if that is what they want, and if there is a qualified teacher to do the job?

[MAGYAR NEMZET] How do children take these decisions? Are they aware of what is happening to them?

[Beck] The little ones themselves can verbalize their feelings by saying things like, "I did not know how to do this, I made a mistake, so I have to go to a different class." They feel that they are being punished for not knowing something. The reorganization of classes leads to a separation of friends, a breakup of already established relationships, which may actually create a crisis situation.

[MAGYAR NEMZET] How can well meaning and knowledgeable teachers and principals subscribe to such methods?

[Beck] Teachers are used to seeing the life of their schools governed by administrative decisions. So when the decision is theirs they do the same thing. They want to use administrative methods to decide about democracy, in other words, they try to implement democratic measures via administrative means. But they are not solely to blame for this. They are forced to take certain courses of action without having at their disposal the necessary personnel and material conditions for making decisions.

[MAGYAR NEMZET] How does this procedure fit into our everyday educational practice? How do they hope to benefit from it?

[Beck] In the elite groups—but also in the "normal" classes—teachers want to rid their classes of children who are struggling with academic and behavioral problems. In the child-protection field we use the term wastebasket syndrome to describe the phenomena of screening out and separating "retracting elements" who hinder the progress of the vanguard.

I must add, that in Israel I have witnessed just the opposite practice. There children of European immigrants, Arabs, and Jews are taught together

POLAND

Influence of Western Broadcasts on Weakening Socialist Ideology

26000674 Warsaw PRASA POLSKA in Polish
No 6, Jun 89 pp 17-19

[Article by Waldemar Stelmach: "Thirty Eight Hours a Day"]

[Text] More than 38 hours of information, propaganda, and commentary daily! Seven radio stations broadcasting in Polish from the West to our country are reason enough to analyze this onslaught of information directed at Polish society as a whole and at its individual groups. There are also other reasons for which looking at the Western radio propaganda is worthwhile. Ideological and political considerations are the first reason, and the perception of these radio stations in Poland is the other. Politics, including international politics, is hard to predict, and changes in it are sometimes surprising. Based on certain pronouncements, we should not reject the thought that the future years and the current events in international politics—I mean here primarily the international policy of M. Gorbachev—should not change in a major way the strategy and tactics of propaganda and ideological combat compared to the so-called past period.

The statements I have referred to have been made by both the political theoreticians and the practitioners of propaganda. In a conversation with Jacek Kalabinski broadcast by Radio Free Europe (21 August 1986) Zbigniew Brzezinski said: "(...) in the longer historical perspective, the United States should and can win in the great historical match that it is playing with the Soviet Union. However, a certain new assignment of roles is needed, and this is what I am talking about. The United States first of all has to contain the Soviet might at the military level. Secondly, the United States may directly affect the internal evolution of the Soviet bloc through instruments such as Radio Free Europe and Radio Liberty, as well as other methods for appealing directly to public opinion in communist countries. The United States already exerts very significant and truly meaningful influence on the internal evolution of such systems through actions of this nature."

Subsequent remarks by Z. Brzezinski in which he recalls dogmatic American thinking and tendencies of the kind: The worse it is in the communist states the better for us, and so forth¹ do not evoke just optimism. Likewise, statements by the new director of the Polish service of the radio station in Munich Latynski (7 March 1987) on the desire of the United States to be politically present in Poland and a statement of one of the directors of the British radio station (21 April 1988) negating the influence of changes under way in the USSR and other socialist countries on propaganda by the London radio station prompt us to optimize somewhat the favorable view of the future. The Soviet scientist V.R. Matveyev, even after the speech by M. Gorbachev at the UN in which he mentioned the deideologization of interstate relations, made rather

cautious statements on the future prospects saying: "It is always going to be the case that socialist ideology will appear as the foundation of discussion for one side whereas for the other side it will be the ideology characteristic of capitalism."² The use of propaganda for political goals should not have a generally ideological, systemic nature. Propaganda may be employed in a more or less harmful manner for partial, local purposes. THE ECONOMIST³ carried the following remark: "(...) the shah of Iran maintained that the Persian section of the BBC facilitated his overthrow. Israel makes it difficult for its Arab population to pull in the broadcasts of some Palestinian radio stations; radio is the main weapon in many small border conflicts throughout the world." Therefore, there may be fluctuations in how intensely aggressive propaganda will be depending on the development of the political situation; however, the techniques and methods of influence, and even some motifs, are rather permanent, and they will be multiplied.

Familiarization with the results of research on the (potential) extent of the impact in our country of Polish-language radio stations located in the West was the second reason which caused this topic to be studied. In keeping with the accepted canons of sociological studies, I will not assess whether it is large or small. I will just present numbers and percentages. However, looking at the results I believe that the issue merits interest from this point of view.

Surveys carried out by the OBOPSP [Center for Public Opinion Research and Program Studies] in June 1985 showed that 34 percent of the populace studied listen to Polish-language Western radio stations. However, a negligible percentage listen to the broadcasts on a regular basis. For no radio station did it exceed 3 percent. Nine percent at a maximum listened occasionally, and 12 percent listened infrequently. I am quoting the above percentages as presented in a OBOPSP report.⁴ It should be taken into account that the high percentage of listeners in June 1985 was caused by the desire to compare domestic reports with the foreign ones following the explosion at the Chernobyl nuclear power station.

Perception in the years 1983 through 1987, which is more interesting than the results of a one-time survey, looked as follows, once again according to OBOPSP surveys (percentage of the total surveyed):

Radio Station	Years				
	1983	1984	1985	1986	1987
Voice of America	18	14	22	17	18
Radio Free Europe	17	12	19	12	14
British Radio	10	9	15	11	12

Radio Station	Years				
	1983	1984	1985	1986	1987
French Radio	0.3	4	4	2.2	2
German Radio	2	2	5	2.1	3

According to the OBOPSP data for January 1987, in the age group breakdown, listeners between 16 and 29 years (28 percent) and 40 to 49 years (also 28 percent) dominated; in the educational breakdown, persons with college education dominated (36 percent of the respondents). In terms of socioprofessional affiliation, white-collar employees were the most numerous group (29 percent), followed by workers (24 percent) and farmers (16 percent). Seeking information from Polish-language radio stations is not identical with believing the information obtained. Thirty-four percent of the populace surveyed trusted the Polish-language radio stations.

According to a report on CBOS [Public Opinion Research Center] surveys,⁵ the Polish-language Western radio stations were tapped by the populace as the sources of information on current political events to the following degrees:

Time of Survey	Percentage
March 1985	35
August 1985	21
December 1985	16
March 1986	13
May 1986	32
July 1986	7
December 1986	11
August 1987	12

It is worthwhile to see how professionals, i.e., journalists, assess Western radio stations broadcasting in Polish. Thus, 1.4 percent believe that they are trustworthy; 18.7 percent maintain that they are very current; 10 percent find them very interesting.⁶

The perception of Polish-language broadcasts by Western radio stations by PZPR members appears different. In the spring of 1986, 13.8 percent of the party members polled said that they listen to the broadcasts sometimes (12.3 percent) or often (1.5 percent). Almost 21 percent said that they listen when political or economic developments of interest to them occur; 59.8 percent do not listen. The trustworthiness of information received is much lower than for the populace as a whole.⁷

According to the research of analytical centers of Polish-language radio stations, their audience is greater than domestic surveys suggest. BBC (21 April 1988) reported

that "(...) according to the director of the General Foreign Service of the BBC, as many as 48 percent of listeners in Poland listen to the broadcasts of the BBC Polish Section. The number of listeners in Poland has doubled since 1980." As can be seen, differences compared to the results of Polish surveys quoted above are very great, one may say fundamental, in this case.

The Munich radio reported on 1 March 1987 the results of research on the breakdown of its listeners in Poland. This is how it looks: "(...) surveys for the years 1985-86 show that farmers and agricultural workers account for 17 percent of our listeners, workers for 50 percent, white-collar employees and officials for 18 percent, high-ranking officials and managers for 3 percent, and representatives of free professions, such as physicians, lawyers, artists, for 4 percent. As far as education is concerned, 69 percent indicated elementary education, and 30.5 percent high-school and college education. These data have been calculated on the basis of questionnaires filled out last year by 959 persons. Last year's data are very similar to those from previous years. In principle, the proportions of social composition of our listeners have not changed in recent years."

Some data are similar to those obtained by Polish studies. However, generalized results reported by the same radio station 1 month later (29 March 1987) deviate from the results obtained by domestic research centers. Referring to "a certain study" done "on a university campus in a Polish city," the radio station reported that "(...) the opinion that foreign radio stations broadcasting in Polish are popular was universal: Radio Free Europe—68 percent; Voice of America—87 percent; BBC—46 percent."

The Paris KULTURA does not share the general optimism of the Western radio station and states that Radio Free Europe as the leading and typical representative of Western radio stations is losing its popularity in Poland.⁸ Therefore, its situation may be extended to other radio stations as well.

Having defined the perception of Western radio stations in our country as one of the reasons for studying this topic, I would not want to restrict myself only to determining the number of listeners. The efficiency of perception is a much more important aspect of it. I do not intend to glorify the influence of the radio stations on the attitudes and views of groups and Polish society, but I do not intend to unambiguously deny it either. Foreign broadcasts have a certain significance primarily for the participants of opposition movements. Andrzej Gwiazda, one of the leaders of Solidarity, said in an interview given to Radio Free Europe (3 May 1987) that "(...) the events of 1980 would have occurred regardless of whether Radio Free Europe had broadcast or not." He went on to say: "However, I am not sure that those who organized such a strike in August would have come along." In turn, according to Radio Free Europe (9 November 1988), "(...) Stefan Bratkowski, chairman of the former Association of Polish Journalists, announced

that support by the Western media has considerably facilitated improvements in the situation in Poland."

The same radio station familiarized its listeners with an article by Michal Spis published in the illegal magazine ARKA. An excerpt follows: "I personally belong to loyal listeners of the Munich radio station. For many years, it has been the main source of information for me and my peers from the generation of Solidarity, it molded our views and offered knowledge and hope. I remember the ritual performed every evening when I tried to pull in the familiar voice of the announcer from the hoarse sound of jammers by turning the dial of a radio. Clearly, it is difficult to measure precisely the influence of the radio station on molding the consciousness of individual social groups, but it certainly was considerable. Without Radio Free Europe, we would not be what we are today, we would not know what we know at present, we would not be thinking as we are at present."

I take into account the fact that there is a lot of courtesy in these statements. However, there are no empirical grounds to believe that this is just courtesy which is not reflected in any way in social reality. Quite the opposite. I am inclined to agree with the statements that the radio stations do contribute, perhaps, very little, to the deideologization of the socialist system, to the populace displaying critical attitudes toward the endeavors of the authorities, to certain political successes which the political opposition has been achieving. If this were not the case then the radio stations would not have been jammed for a certain period of time, and there would not be polemics with the views of the radio stations. In general, there would not be a propaganda war if it were not for the justified hopes of one side and fears of the other. Ultimately, our Polish propaganda sometimes accepts the plane of political and propaganda struggle, methods, and language imposed by the radio stations, perhaps unwittingly. In a propaganda struggle, this is already a victory to some degree.

Footnotes

1. See POLITYKA, 30 May 1987.
2. TRYBUNA ROBOTNICZA, 17-18 December 1988.
3. Quoted after FORUM, 27 October 1988.
4. See research report: "Reception of Foreign Radio Stations Broadcasting in Polish," Committee for Radio and Television "Polish Radio and Television," Center for Public Opinion Research and Program Studies, July 1985.
5. Bulletin of the Public Opinion Research Center, No 3/10, Warsaw, 1987, p 144.
6. As above, pp 163-164.
7. See paper of the Department of Information of the PZPR Central Committee, May 1986.

8. See Radio Free Europe—an Attempt at Description, in KULTURA, No 4/463, Paris, 1986, p 28.

Composition of Solidarity's National Executive Commission Reported

26000711 Warsaw TYGODNIK SOLIDARNOSC in Polish No 11, 11 Aug 89 p 15

[Including the chairman, there are 42 names listed, presented in the order given]

[Text]

Members of Presidium

Lech Walesa—Chairman
 Bogdan Borusewicz—Gdansk
 Zbigniew Bujak—Mazowsze
 Wladyslaw Frasnynuk—Dolny Slask
 Stefan Jurczak—Malopolska
 Lech Kaczynski—Gdansk
 Bogdan Lis—Gdansk
 Jacek Merkel—Gdansk
 Janusz Palubicki—Wielkopolska
 Alojzy Pietrzyk—(Slasko-Dabrowski)
 Andrzej Milczanowski—(Pomorze Zachodnie)
 Antoni Tokarczuk—Bydgoszcz
 Henryk Wujec—Mazowsze
 Klemens Bielinski—Koszalin
 Zygmunt Blaz—Podkarpacie
 Wieslaw Brycki—Warsaw
 Jan Calka—Opole
 Jerzy Dluzniowski—Ziemia Lodzka
 Mieczyslaw Gil—Malopolska
 Stefania Hejmanowska—Gorzow Wielkopolski
 Ryszard Kostrzewa—Ziemia Lodzka
 Pawel Kotlarski—Konin
 Leonard Krasulski—Elblag
 Witold Krol—Ziemia Radomska
 Marian Krzakiewski—Slasko-Dabrowski
 Wladyslaw Liwak—Stalowa Wola
 Jozef Maciejewski—Kujawy, Ziemia Dobrzynska
 Boguslaw Malicki—Zielona Gora
 Stanislaw Marczuk—Bialystok
 Stanislaw Michalowski—Pila
 Jan Mosinski—Wielkopolska Poludniowa
 Edward Muller—Slupsk
 Edward Olszewski—Piotrkow Trybunalski
 Andrzej Piesiak—Jelenia Gora
 Aleksander Przygodzinski—Czestochowa
 Edward Radzewicz—Pomorze Zachodnie
 Zbigniew Romaszewski—Mazowsze
 Antoni Stawikowski—Torun
 Zbigniew Sieczkos—Rzeszow
 Grazyna Staniszwski—Podbeskidzie
 Jerzy Stepien—Swietokrzyski
 Stanislaw Węglarz—Srodkowo-Wschodni

Katyn Document Offered to Soviet Historians for Appraisal Released

26000688 Warsaw *POLITYKA* in Polish
No 33, 19 Aug 88 pp 13-14

[Document on Katyn, dated April 1988, given to Soviet historians by the Polish historians Professors J. Maciszewski, C. Madajczyk, R. Nazarewicz, and M. Wojciechowski: "Expert Appraisalment of the Communiqué of the [Soviet] Special Commission for Determining and Investigating the Circumstances of the Execution by Shooting of Polish Officers-Prisoners of War by the German Fascist Invaders in the Katyn Forest"; first paragraph is *POLITYKA* introduction]

[Text]

This expert appraisalment also takes into account the interrogation of witnesses by the Nuremberg Tribunal, press reportage on the public interrogation of witnesses by the Soviet Special Commission ("The Truth About Katyn," Moscow, 1944), and, to the extent necessary, the report of representatives of the Polish Red Cross (Director of the Technical Commission of the Polish Red Cross Dr M. Wodzinski and Secretary General of the Polish Red Cross K. J. Skarzynski).

[Boxed item]

Statement by Jarema Maciszewski, Head of Polish Historians' Commission Investigating 'Blank Spots' in Soviet-Polish Relations

We are publishing a report based on the labor of and expressing the position of the Polish members of the Polish and Soviet Party Commission for aspects of history of the relations between both countries. This report concerns directly the Katyn crimes and indirectly the broader problem of the fate of all the Poles interned until the spring of 1940 in the camps in Kozel'sk, Starobel'sk, and Ostashkov. It has been repeatedly emphasized that the victims of the Katyn crimes were only officers of the Polish Army (in active service, in the reserve, and with retired status) transported to the site of the executions from Kozel'sk. The fate of the prisoners of Ostashkov and Starobel'sk, doubtless equally tragic, is to this day unknown.

The starting point for the Commission's investigations within this thematic scope had to be chiefly a scientific critiquing of the official communiqué of 24 January 1944 of the Soviet Special Commission, colloquially termed the Burdenko Commission. This communiqué, as known, attempted to justify the theory of the responsibility of Germans for the Katyn murders.

The Polish side had, on the recommendation of Soviet colleagues, prepared such a critique in the form of a written appraisalment or assessment study on availing itself of both the material contained in Western publications (especially the collection of articles, "The Katyn Crime in the Light of Documents") and other sources of Polish and Western provenance. The extensive literature

in various languages on this topic was also utilized. Such a starting point for the investigation was necessary considering that until recently the Communiqué of the Burdenko Commission represented the sole statement of the Soviet position on the issue. Besides, a similar analytic technique was once adopted by the currently most prominent Western expert on the Katyn problem, Professor J. K. Zawodny (see J. K. Zawodny, "Evidence on the Katyn Crimes in the Light of Documents," *PRZEGLAD POLSKI*, 9 March 1989, p 7).

In their desire to maximally objectivize the investigative process, the authors of the present assessment study attempted to principally base themselves on incontrovertible arguments, on incontrovertible source materials (e.g., on the dossiers of the Nuremberg Trial). We also avoided formulating hypotheses based on insufficiently credible source materials.

In view of the expertiselike nature of this assessment study, the authors did not attach too much importance to literary refinements; hence, its editing from the literary standpoint would probably result in some textual improvements. The work on this study was completed in the spring of 1988 and it was transmitted to the Soviet members of the Commission on 11 May. The Soviet colleagues pointed to the need to explore Soviet source materials. So far, despite our persistent attempts, we received no such materials.

The date on which we completed work on this assessment study (April 1988) is of major importance. That is because in the past year there appeared in Poland, the USSR, and the West several important and many less important publications about the crimes of Katyn. Some of them (particularly the recently published book by Czeslaw Madajczyk, "Dramat katynski" [The Katyn Drama], or the so-called Skarzynski Report published by W. T. Kowalski in *ODRODZENIE* and followed by a discussion of the sources of that document) enrich our knowledge of the Katyn crime with many important details that corroborate or complement the conclusions of our assessment study. Of the Soviet publications mention should primarily be made of "A Symbol of Common Misery" (*PLANETA*, No 24, 1989), "Katyn—Proving or Disproving It" (*MOSKOVSKIYE NOVOSTI*, No 21, 1989), and "Secrets of the Katyn Forest" (*Ibid.*, No 32, 1989). The last-named article contains information supported by witness testimonies to the effect that the Katyn Forest had been a site of mass executions of the victims of Stalinist terror already since 1935, which is yet another proof of the credibility of the reports of the technical team of the Polish Red Cross which worked in Katyn from April to June 1942. Many other pertinent publications also have appeared, but they are mostly either reprints (e.g., the Katyn List) or compilations that contribute no new source materials. Incidentally, a curiosity among the publications on Katyn is the article by R. Horyn-Swiatek (1986), published in London, a clumsy and naive attempt to resuscitate the conclusions of the Communiqué of the Burdenko Commission. Its author was severely censured by

ZYCIE WARSZAWY of 27 January 1989 and at the same time quite unexpectedly defended by TYGODNIK POWSZECHNY of 31 May 1989. This is yet another proof that comprehensive scientific critiquing of the version that the Germans are responsible for the Katyn crime, demolishing once and for all that version, still remains topical.*

In the light of the arguments contained in the assessment study presented below to the broad readership of POL-IT'KA, neither the failure of the findings of the Burdenko Commission to conform with the truth nor the total responsibility of the NKVD for the Katyn murders and for the extermination of the prisoners of Starobel'sk and Ostashkov can elicit any doubts, even though, as regards these prisoners, so far the site of their death and eternal rest cannot be conclusively determined unless Soviet documents can be consulted.

Footnote

* A note from the editors: We do not concur with Professor Jarema Maciszewski's appraisal of the article by Tomasz Strzembosz ("Closer to the Truth. Really?" published in TYGODNIK POWSZECHNY of 21 May 1989). The statement "...a comprehensive scientific critiquing of the version of German responsibility for the Katyn crime, demolishing once and for all that version, still remains topical" of a certainty cannot, in our opinion, apply to the article by Dr Strzembosz.

[End of boxed item]

I

The communique of the Soviet "Special Commission for Determining and Investigating the Circumstances of the Execution by Shooting of Polish Officers-Prisoners of War, by the German Fascist Invaders in the Katyn Forest," hereinafter referred to as "the Communique," bears the date of 24 January 1944. This Communique claims that the Polish officers were shot dead by Germans in the Katyn Forest between September and December 1941. The number of the corpses, the Communique states, "reaches 11,000 according to expert estimates."

The basis for the findings of the Soviet Special Commission was testimonies by witnesses and forensic physicians. The Commission's Communique as well as the testimony of Professor Prozorovskiy at the Nuremberg Trial mention unspecified "documents" of which the Commission had availed itself. These documents have never been described, published, or made available to the Polish side, and neither have been the findings of the anatomo-pathological examinations whose initiation was mentioned in the Communique.

In its "General Conclusions" the Communique states that the Polish officers "were held in three camps west of Smolensk and performed road work prior to the outbreak of the [German-Soviet] war," and that "they were still there after the German occupiers stormed Smolensk, until

September 1941 inclusively." The finding of a commission of experts in forensic medicine, included in the Communique, was that the executions of the Polish officers took place between September and December 1941; the Germans occupied Smolensk in mid-July 1941.

The "General Conclusions" further state that the mass executions of the Polish prisoners of war were performed "by a German war office hiding behind the conventional appellation 'Staff of 537 Labor Battallion,' which was headed by Lieutenant Colonel Arnes and his associates Lieutenant Colonel Rekst and Lieutenant Hott."

To this day the Communique represents the last and actually the sole statement of the USSR's position on the matter in question.

II

After September 1939 the Polish officers interned by USSR authorities were initially held in transit camps located near the former Polish-Soviet border. Later, in November 1939, about 4,500 were transferred to Kozel'sk and 4,000 to Starobel'sk, to so-called special camps for officers. The first camp contained four generals (S. Bohatyrewicz, H. Minkiewicz, M. Smorawinski, J. Wolkowicki) and Rear Admiral Ksawery Czernicki, as well as 200 air force officers, 50 naval officers, several hundred former civilian engineers, and also 300 physicians and 21 university teachers. Starobel'sk contained eight generals (L. Billewicz, S. Haller, A. Kowalewski, K. Lukowski, F. Sikorski, K. Plisowski, L. Skierski, P. Skuratowicz), 600 air force officers, many military chaplains, 15 or so university teachers, several hundred former civilian engineers, and many teachers. Of the generals held in Kozel'sk and Starobel'sk one-half were retired. The third camp, in Ostashkov, or more precisely on an island in Lake Saligor, was the last to be established, early in 1940. It contained about 6,500 prisoners, who included 300 police officers, officers and noncoms of the KOP [Border Corps], prison guards, etc.

The transfer of Polish officers to camps and prisons in the USSR also continued after September 1939. For example, from Lvov, which General W. Langer had surrendered to the Soviet command after having previously refused to capitulate it to the Germans, approximately 2,000 officers in active service and in the reserve were deported following their registration. That was a broad drive which extended to other localities, too. An unknown number of the military were arrested or deported to the interior of the USSR. Moreover, in September 1939 there sometimes occurred executions of captured officers (e.g., of General J. Olszyna-Wilczynski in Sopockinie). During the liquidation of the camps in Kozel'sk, Starobel'sk, and Ostashkov, in the period between late March and May 1940, 448 officers were selected (245 from Kozel'sk, 79 from Starobel'sk, including Lieutenant Colonel Zygmunt Berling [later commander of the Soviet-sponsored Polish Kosciuszko I

Infantry Division], and 124 from Ostashkov) and transferred first to the Pavlishchev-Bor Camp and later to Gryazovets, whence, after being released as a consequence of the Sikorski-Maisky Agreement, they ended up in 1941 in the newly formed Polish Army in the USSR. The corpses of the remaining officers from Kozel'sk were discovered in the spring of 1942 in mass graves in Katyn. The fate of those interned in Starobel'sk and Ostashkov remains unknown to this day.

When it was evacuated to the Middle East during March to August 1942, the army of General W. Anders included 2,430 officers among whom were more than 400 officers from Gryazovets, several hundred persons promoted to officer grades following their enlistment, and an unknown number of those who had concealed their military rank from the Soviet authorities. The largest group were those who had escaped to Lithuania in 1939—about 2,500 officers and 300 subalterns, plus 176 who had escaped to Latvia. A small number of these (altogether 490 officers and privates) continued westward and joined the army of General Sikorski, while the remainder stayed in camps in Kolotoy and Kalvaria. After the Baltic republics were incorporated in the USSR, they too became interned. They were transferred to the already known camp in Kozel'sk (the so-called Kozel'sk 2) and in Pavlishchev-Bor near Yuhnov. After less than a year, early in July 1941, they were moved to Gryazovets, to join the officers already there. During the first conversation between Gen W. Anders, in his capacity as the commander of the Polish Armed Forces in the USSR, and General Panfilov on 6 August 1941 the Soviet general declared that an additional 20,000 prisoners, including 1,000 officers, were still being held on Soviet territory. Shortly before, Gen Anders inspected the camp in Gryazovets, which held 1,200 officers and several hundred privates.

Gen W. Sikorski transmitted to J. Stalin, during a visit to Moscow in December 1941, a list of 2,845 names of missing officers of the Polish Army. In March 1942 Gen Anders appended to it a supplementary list of 800 names. A subsequent note of 27 July 1942 from the Polish government advised the Soviet authorities that it was looking for 8,000 Polish officers. Elsewhere, representatives of Polish authorities in the USSR asked about 10,000 officers. These lists were prepared on the basis of information provided by officers transferred from Kozel'sk, Starobel'sk, and Ostashkov, who had, via Gryazovets, joined the Polish Army in the USSR, as well as by others interned in various locations within the USSR.

According to previous comments by Beria and Merkulov, uttered during a conversation with several Polish officers interned at Gryazovets on the subject of forming a Polish division in the USSR (in October 1940 or January 1941), as mentioned in, among others, the memoirs of General Zygmunt Berling, kept at the Military Historical Institute in Warsaw, "a great error was made" regarding those interned in Kozel'sk and Starobel'sk. Between August 1941 and April 1943 the Soviet government had been claiming in reply to Polish queries

that all the Polish officers interned in the USSR were released. Such was the reply given Sikorski by Stalin on 3 December 1941 during the former's visit to Moscow. Stalin said he surmised that they [the missing officers] might have escaped to Manchuria and instructed the proper authorities to commence an investigation. On the other hand, in his conversation of 18 March 1942 with Gen Anders, Stalin, denying that the fate of the Polish prisoners was known to the Soviet authorities, and without giving any specific answer, hypothesized that the prisoners may have scattered from the camps and were picked up by the Germans. At the same time, the Soviet authorities refused to transmit to Polish authorities lists of the officers who had been interned in Kozel'sk, Starobel'sk, and Ostashkov.

III

On 15 April 1943, that is, on the third day following the German communique on the discovery of the graves of Polish officers in Katyn, the Soviet Information Bureau suggested that the skeletons previously discovered by archeologists in Gnezdovo near Katyn were being mistakenly identified as Soviet victims. For the first time, it was also stated that "Polish prisoners of war" doing construction work fell into German hands following the withdrawal of Soviet troops from the environs of Smolensk. On 26 April 1943 there appeared, in a note from Minister Molotov to the Polish ambassador, the statement that the remains found in Katyn were corpses of Polish officers interned by the Soviets but captured and murdered in 1941 by Germans in the occupied region of Smolensk.

From the above it ensues that the fate of the Polish officers was known to the Soviet side, since it was able to state as soon as 2 days after the publication of the German communique, that the Polish officers were captured by the Germans in 1941 west of Smolensk. This information had not previously been provided by the Soviet authorities to the Polish side since 30 July 1941, that is, since the date of the restoration of Polish-Soviet diplomatic relations, on the grounds that the fate of these people was unknown to the Soviets, and upon offering various surmises. In no case, however, was it previously reported that these officers fell into German hands in the summer of 1941.

Correspondence between the internees in Kozel'sk, Starobel'sk, and Ostashkov and their families came to a halt during February-March 1940. Hence, the first news of their fate reached occupied Poland once the press published by the Hitlerite occupiers began to publish names and personalia of the military personnel whose remains were found in the Katyn graves—all, without exception, having been those previously interned in Kozel'sk. The fact of their death was corroborated in the "Communique" published by the Soviet Special Commission in January 1944, which also stated that until August-September 1941 the officers had been interned in camps west of Smolensk, and that they were murdered by the Germans.

IV. Indisputable Facts Concerning the Katyn Murders

1. In the spring of 1940 Polish officers interned in Kozel'sk were transported by rail to Gnezdova (Gnezdovey), some 15 km west of Smolensk. This is stated by both the Communiqué and Polish sources.

2. The interned Polish officers transported to Gnezdova were found in the Katyn graves.

3. The cause of death was shooting at the skull, impairing vital cerebral centers and causing instant death. The weapons were notoriously aimed at the back of the head, somewhat below the occiput, with the bullet racing upward and toward the front, most often culminating in an exit wound in the upper part of the brow. The lethal shot was fired very close up from a 7.65 mm caliber pistol, on using ammunition manufactured by GECO, a German firm. Some of the victims had their hands tied with string.

4. The remains in graves 1 through 7 wore winter clothing. The report of the Technical Commission of the Polish Red Cross and the observations of journalists are supported by the testimony of a witness summoned by the Soviet prosecutor Dr Markov during the Nuremberg Trial: "It was winter clothing, including an overcoat and a wool muffler."

5. The discovery of 4,151 victims in the Katyn graves is to be viewed as proven. The Technical Commission of the Polish Red Cross exhumed 2,500 corpses from Grave 1, 700 from Grave 2, 250 from Grave 3, 150 from Grave 4, 51 from Grave 5, 250 from Grave 6, and 250 from Grave 7. A total of 2,730 corpses could be identified. From Grave 8, estimated to contain 150-200 corpses, only 10 were exhumed. The figure of 11,000 victims cited by the Communiqué is not corroborated by any material evidence.

6. The overall number of the corpses discovered (4,151 documented by the Technical Commission of the Polish Red Cross plus 8 others in a grave, or altogether approximately 4,300) roughly corresponds to the number of Polish officers transported in April and May 1940 from Kozel'sk, minus those transported on 26 April and 12 May 1940 to Gryazovets.

7. The Soviet Special Commission reexhumed the remains previously exhumed by the Technical Commission of the Polish Red Cross. This is mentioned in the testimony of Prof Prozorovskiy, a Soviet witness at the Nuremberg Trial, who stated that the corpses he had examined were previously inspected but not subjected to autopsy. The exhumation of 925 corpses by the Commission does not, therefore, represent documentation of the number of corpses of Polish officers discovered there. The Communiqué implied (but did not state plainly) that there were 11,000 corpses of officers from both Kozel'sk and Starobel'sk. The proof was to be that personal documents found on six (of the 925) corpses showed that some came from Starobel'sk and others from Kozel'sk. By the same token, the Communiqué

implied that the murdered Polish officers had previously been interned in both these camps, and the reported aggregate total of 11,000 corresponded to, or even exceeded, the list of missing officers. This closed the discussion of the fate of the officers from places other than Kozel'sk, that is, from Starobel'sk and Ostashkov.

8. Personal documents serving to identify 2,730 of the 4,151 discovered corpses were found in the Katyn graves. On performing the reexhumation, the Soviet Special Commission found no additional personal documents. It ensues that Grave 8 which had not been exhumed by the Technical Commission of the Polish Red Cross, was not exhumed by the Soviet Special Commission, and that no additional graves were found.

9. Representatives of the Polish Red Cross proved the existence of at least eight graves, of which two large graves resembling excavated foundations and measuring 16x26 and 14x16 meters in area, respectively. Reburial resulted in 6 graves plus 2 single graves for generals, over a surface area of 60x36 meters. The Soviet Special Commission found two graves, one very large (60x60 meters, that is, 3,600 square meters) and the other measuring 7x6 meters in area. The dimensions and number of the graves presumably referred to the 7 pits mentioned by the reporters present in Katyn in January 1944, rather than to the graves completely exhumed by the Commission of the Polish Red Cross.

10. The remains of Polish officers exhumed in the spring of 1943 were, prior to their reburial, tagged with small numbered metal identity plaques. These plaques are not mentioned in the Communiqué.

All attempts by Polish authorities to find the missing Polish officers or obtain information on their fate proved ineffective (July 1941 to March 1943), and the correspondence between these officers and their families stopped in February-March 1940.

12. German propaganda attempted to maximally exploit the Katyn murders in order to perturb the cohesiveness of the anti-Hitler coalition. Two aspects of this affair caused, however, consternation among the Hitlerite propagandists: the number of victims (the figure of 10,000 to 12,000 announced by these propagandists was not confirmed by the exhumations) and the fact that German-made ammunition had been used in the executions, which was later attributed to the mass exports of that ammunition to the USSR (until 1932) and to Poland and the Baltic countries.

13. The Technical Commission of the Polish Red Cross performed humanitarian activities—exhumation, identification of the remains, and their reburial in fraternal graves. It did not let the Germans exploit it for propaganda purposes; it refused to confirm that the number of discovered corpses totaled 10,000 to 12,000 as claimed by Hitlerite propaganda and, despite threats of the most severe repressions, it refused to specify the death dates of the Polish officers, directly or indirectly (e.g., on the death certificates issued to families of the Katyn victims).

V. Doubts, Obscurities, Contradictions

1. Witnesses and the Composition of the Commission

The text of the Communiqué seems to indicate that the more than 100 witnesses interrogated by the Special Commission did not include any former interned Polish officers who might have remained between April 1940 and July 1941 in camps No 1-ON, No 2-ON, and No 3-ON, or who passed through Gryazovets. It also lacks testimonies by any NKVD personnel who had guarded the camps in Kozel'sk, Starobel'sk, and Ostashkov. Their names are known to the Polish officers who had been to those camps and survived the war. The names mentioned by these officers do not include that of Major Vyetoshnikov, named as the commander of Camp No 1-ON. Moreover, the membership of the Special Commission did not include even a single Pole, e.g., from among the representatives of the leadership of the Association of Polish patriots in the USSR. Their membership in a commission investigating a crime perpetrated on Poles should have been a moral obligation.

2. The Victims

The Communiqué's interchangeable use of the terms "Polish prisoners of war" and "Polish officers-prisoners of war" is confusing. Sometimes the impression is produced that the witnesses are referring to some unspecified for camps for interned Polish enlisted personnel rather than to camps for Polish commissioned personnel. The very term "prisoners of war" is objectionable, considering that they were interned.

3. Camps Nos 1-ON, 2-ON, 3-ON

The existence of the camps is doubtful, inasmuch as:

- The Communiqué does not name the localities in which they had supposedly existed. By contrast with Kozel'sk (1 and 2), Starobel'sk, and Ostashkov, a credible determination of their existence is not possible;
- Following the liberation of the Smolensk region, neither journalists nor representatives of the Association of Polish Patriots were shown any structures (or their ruins, considering that the front line had passed twice across that region) remaining after these camps, yet finding room for 11,000 people (the figure alleged by the Communiqué) would have required extensive facilities adapted to winter conditions (according to the Communiqué, the internees supposedly spent the winter of 1940-41 in those camps);
- No billeting or administrative documents concerning those camps have been uncovered. The camps in question, if they existed, were bound to engage in correspondence with their superior authorities;
- Not one of the internees kept in those camps has survived, and the only witness among the camp personnel was a Major Vyetoshnikov, whose name is not familiar to any surviving Polish officer.

The Communiqué reports that "part" of the camp personnel were captured by the Germans. This raises the question of why have not the remainder been interrogated, considering that the camp personnel who were not captured by the Germans were dutybound to report to their superior authorities on the fate of the camp.

4. The impossibility of evacuating these camps was definitely not argued credibly and substantively in the Communiqué.

It would have been a miracle for the Germans to capture all the Polish officers detained until then by the Soviets in a situation in which the frontline had just rolled past. Considering that in 1942 Schoengarth, the chief of the Sipo and SD in the General Government, refused to implement an order to imprison Polish officers who still remained free unless the operation would be properly prepared, how could such an operation have been implemented by the Germans at a time when they had just invaded enemy territory, and in such a way that not one of the 11,000 interned officers would survive, not one would contact families, friends, acquaintances, not one would reach any Polish community?

5. All the information on the activities of the camps in Kozel'sk, Starobel'sk, and Ostashkov came to a halt in the spring of 1940. The Communiqué quotes the Polish Minister of National Defense as stating on 17 April 1943, "Early in 1940 the Soviet authorities began to inform the prisoners that their camps would be shut down and the prisoners permitted to return to their homes and families. Special lists specifying the destinations of individual prisoners upon their release were prepared." Gen Z. Berling noted in his "Memoirs" that the internees at the Starobel'sk camp had been polled on their preferences in that respect.

The evacuation of the camps began between 3 (Kozel'sk) and 5 April 1940. Once every few days, until mid-May, according to witnesses, from several score to 300 persons were transported away from the camps. As known, from Kozel'sk they were transported in the direction of Smolensk to Gnezdova Station.

The Special Commission did not explain in its Communiqué the reason why the Polish officers were disembarked in the spring of 1940 at Gnezdova Station (16 km west of Smolensk; the site of the executions was 3 km distant from Gnezdova Station)—officers who, it can be inferred, were brought from the camps in Kozel'sk and Starobel'sk. It has not either identified the sites of the camps 1-ON, 2-ON, and 3-ON, but since they were located 24 to 45 km from Smolensk, the reason why the officers had to disembark from their trains precisely at Gnezdova Station should have been explained.

6. The Communiqué states that "Polish prisoners of war" remained until September 1941 inclusively in three camps located in the Smolensk region—No 1-ON, No 2-ON, and No 3-ON and, prior to the outbreak of the German-Soviet war, were employed in road work. They were bound to remain in that area also after that territory

was seized by the Germans. The Communique names 16 witnesses of the situation of "Polish prisoners of war in camps in Smolensk Oblast.

Had camps holding 11,000 Polish officers been existing between May 1940 and July 1941, a renewal of correspondence with their families in Poland would have been natural. Yet during that period their families received no news at all from them. After May 1940 letters addressed to Polish officers-prisoners of war were returned stamped "Addressee unknown," and letters to the Polish Red Cross or to Soviet authorities asking for an explanation remained unanswered. Yet at the same time the officers held at Pavlishchev-Bor, "Kozel'sk-2," and Gryazovets continued their correspondence with the Homeland.

During the period from May 1940 to June 1941 the letters they had received asked them about the fate of the other officers. The few documents found on the corpses by Soviet forensic-medical experts include just one postcard from Tarnopol, dated 12 November 1940, with the prisoner's name missing. It was supposedly found on Corpse No 4. The writing is by hand and the address faded. Had correspondence between many thousands of prisoners and their families continued until 1941, German propaganda would have had no grounds for claiming that they were murdered in the spring of 1940. Such propaganda would of a certainty have proved to be a double-edged sword against the Germans.

7. Another doubt concerns the use of officer prisoners as workers in road building and repair. The Communique of the Soviet Special Commission states, "The Polish prisoners of war who lived in the three camps west of Smolensk and were employed in road work prior to the outbreak of the war had remained there also after the occupiers seized Smolensk, until September 1941 inclusively."

This raises the question of why the duty of working on road building and repair was not also imposed on the internees held, at first, at the camp in Pavlishchev-Bor and later at Gryazovets or "Kozel'sk-2." Why is it that the camps No 1-ON, 2-ON, and 3-ON also contained individuals with artificial arms and legs or otherwise disabled, as well as persons over 60 years of age, whereas at Kozel'sk-2 work was voluntary and only persons deemed able-bodied were used for work there? Why is it that at these "ON" camps even generals supposedly had to work, whereas in the other camps they had batmen and adjutants assigned to them?

8. The Soviet Special Commission stated in its Communique, "After the fighting broke out, the Polish prisoners of war could not be evacuated from the camps owing to the attendant situation."

This is supposedly confirmed by the testimony of the mysterious Major Vyetoshnikov, head of Camp No 1-ON. The impossibility of obtaining rail rolling stock for this purpose was testified to by S. Ivanov, defined in one place as a deputy chief of the rail traffic section of

the Smolensk Directorate of the Western Railroad and in another as the former stationmaster at Gnezdova Train Station. In view of that impossibility, Major Vyetoshnikov did not return to the camp, the more so considering that attempts to contact Moscow for permission to evacuate the camp on foot proved fruitless. "At that time," the Communique states, "Smolensk was cut off from the camp by the Germans." In the brochure "The Truth about Katyn," published in Moscow by the Association of Polish Patriots, two journalists, the Pole Jerzy Borejsza and the Boston reporter Edmund Stevens, quote the testimony of the aforementioned S. Ivanov, given during the interrogation of witnesses by the Special Commission in the presence of reporters on 23 January 1944. Ivanov stated that Vyetoshnikov had attempted to obtain rolling stock on 12 July 1941 but, in his opinion, the tempo of the German offensive was so rapid that it proved impossible to evacuate the Polish prisoners by rail.

The date of 12 July is highly significant considering that between 12 and 14 July Smolensk was still free. The situation deteriorated on 15-16 July, when the Germans broke into the city and there was fighting that culminated in the city's seizure in the evening of 16 July. But the situation changed again on 26-27 July when, owing to the city's strategic importance, the Soviet army attempted to repulse the Germans and broke into the northern part of Smolensk and seized the railroad station. In view of the threat of encirclement, however, 16th and 20th armies, commanded by General Rokossovsky, had to withdraw and completed that maneuver on 5 August.

Such was the situation in Smolensk, with the three camps No 1-ON, No 2-ON, and No 3-ON supposedly being located 25 to 45 km west of it (data of the Special Commission). It is readily seen that they could have been evacuated on foot in half a day or in one day to Smolensk and farther eastward. As known, the camps in Sknilov, not far from Lvov, evacuated first on foot and later by rail, as well as the camps in Zlotonosh-on-the-Dnepr, had been evacuated despite their much more difficult situation. And the known facts concerning the internment camps for Polish enlisted military personnel working on the construction of roads, airports, and fortifications near the western boundary of the USSR or near the frontline indicate that generally they were successfully evacuated to the interior of the USSR and over considerable distances at that. And whenever this proved impossible, the internees were allowed to go home. (This does not apply to the treatment of the inmates of NKVD prisons, where, owing to the impossibility of evacuating them, some were executed, e.g., in Lvov, Lutsk, and Minsk, and the remainder were left in place which, as a rule, enabled them to escape.) Here it should be added that the Polish officers interned in 1939 in Lithuania and Latvia, who had been transferred thence in the summer of 1940 to the camp in Kozel'sk, all were without any obstacle evacuated by rail in July

1941 to the camp in Gryazovets and there released after the conclusion of the Polish-Soviet Treaty on 30 July 1941.

Major Vyetoshnikov's comment that he was unable to contact Moscow by telephone before the enemy had seized Smolensk, that is 4 days later, conflicts with the well-known efficiency of the state security service, the NKVD. Besides, nothing is known about the fate of the remaining camps.

Vyetoshnikov testified that he was waiting for the order to shut down the camp, and that ultimately he left it at his leisure to "clarify" the situation in Smolensk. Since he did not perform the evacuation, he was bound by the regulations in force to report to his superiors that the prisoners fell into German hands. If that is so, the fate of the Polish officers from Camp No 1-ON would have been known to Gen Panfilov at the time of his conversation with Gen Anders on 6 August 1941, and to Stalin at the time of his conversation with Gen Sikorski on 3 December 1941.

Since the Communique of the Special Commission states that only "part" of the camp guard personnel fell into German hands, the remaining guards should have been interrogated in addition to Vyetoshnikov, but this has not been done. Considering the numerous successful escapes by Polish officers from German camps in the Reich, it seems hardly credible that there had not been any individual or group escape attempts by the thousands of Polish officers held in camps in the Smolensk region, despite the favorable circumstances. It is hardly conceivable that the guards watched the prisoners until just before the arrival of the Germans. After all, in 1941 during the German-Soviet war there was no continuity of the frontline. The tactics of offensive wedges and defensive points of resistance often resulted in the presence of extensive areas untouched by the foot of the German soldier, where refuge could be found. Refuge could also be found in the vast forests and wherever partisans appeared. This afforded an opportunity for successful escapes, life in hiding, or even return to the Homeland. There exist known individual instances of return to the Homeland by Polish soldiers interned in or released from Soviet camps.

9. The witness testimonies cited in the Communique indicate that the Germans supposedly conducted numerous raids to catch Polish prisoner escapees from the camps. This conflicts with the statement elsewhere in the Communique, "All the Polish prisoners of war as well as part of the camp guard personnel and employees were captured by the Germans." There is also no agreement among the witnesses as to the period of time during which the raids to catch Polish prisoners of war had been conducted. One witness testified that they were conducted in the fall of 1941 (I. Kakoshkin), while another claimed that they were conducted in August-September 1941 (T. Fatkov) and that later there were no Polish prisoners of war any more.

These testimonies also do not appear credible considering that during the war and occupation the Germans never succeeded in completely dominating the Smolensk region to an extent enabling them to capture all escaped Polish officers without exception. In the late summer and fall of 1941 the German army was to wage a decisive Blitzkrieg and the cleanup of the rear areas, including the Smolensk region, was the task of Einsatzgruppe (Operational Group) B, which arrived in Oma on 23 July 1941 and in Smolensk on 5 August 1941.

10. The Communique states that the Katyn murders took place in the fall of 1941, and the team of forensic-medical experts determined that "the executions took place some 2 years previously, that is, between September and December."

This finding differs from the witness testimonies. The witnesses testifying on the timing of the execution of Polish officers claimed that it took place in August-September 1941. Bazylevskiy, a Soviet witness at the Nuremberg Trial, testified that the executions of the Polish prisoners ended in September 1941. Other witnesses testifying before the Commission claimed that the raids to catch escaped Polish prisoners of war ceased at the end of September.

But the Commission, without an explanation, excluded August and moved the date of the executions to September-December. Was it due to the fact that the foreign reporters who had been invited to view the excavated graves and to be present at the public interrogation of the witnesses found that the corpses wore warm winter clothing? In the Smolensk region such clothing may be worn in April, but not in August when it is warm or even hot there. Of a certainty, the problem of accounting for this circumstance prompted the Commission—without paying attention to the witness testimonies—to postpone the time period of the executions to late autumn and to omit mentioning the month of August.

11. Point 3 of the general conclusions of the Communique states, "The mass executions of Polish prisoners of war in the Katyn Forest were performed by a German war office hidden behind the appellation 'Staff of 537 Labor Battalion,' headed by Oberleutnant Rekst and Leutnant Hott."

During the Nuremberg Trial it was found that Lieutenant Colonel Friedrich Ahrens (not Arnes as mentioned in the Communique) commanded 537 Signals Regiment and reached the Smolensk region only in November 1941. A Lieutenant Rex was the regiment adjutant, and a Second Lieutenant Hott was one of the unit commanders. The witness Lieutenant Reinhard von Eichhorn, an expert on telephone communications in 537 Regiment, whose staff was located on Kozie Mountains in Katyn, and Lt Col Ahrens himself both testified that there was no 537 Sapper (Labor) Regiment on Kozie Mountains. It was not proved that they knew about the executions of Polish officer prisoners of war. 537 Regiment was subordinated to General E. Oberhauser, who

also testified at Nuremberg. He was the signals commander for Army Group Center and he arrived in Katyn in September 1941 when the regiment had been commanded by Lieutenant Colonel Bederka, who was replaced in November by Lt Col Ahrens.

During the court proceedings at Nuremberg Smirnov, the Soviet prosecutor, while interrogating Lt Col Ahrens, tried to direct the court's attention to the activities of Einsatzgruppe B which, as the Soviet prosecutor had suggested during that interrogation, may have been responsible for the Katyn murders. However, during the subsequent proceedings the issue of the eventual responsibility of Einsatzgruppe B for the Katyn murders was not pursued by the Soviet prosecutor. Besides, the preserved detailed operations reports of Einsatzgruppe B contain no mention of any repressive actions taken against Polish officers. As a result, the Katyn crime was not mentioned in the Nuremberg Verdict; in other words, the guilt of German criminals could not be established in this particular case, despite the acknowledgement that Germans were guilty of other crimes perpetrated on prisoners of war. The Soviet member of the Nuremberg Tribunal L. T. Nikichenko voiced no reservations or voted separately on this issue.

VI. Forensic-Medical Expertise

We are not qualified to evaluate that expertise. But its findings should be compared with the findings of the Technical Commission of the Polish Red Cross when investigating the Katyn events.

Documents Found on the Corpses

1. The Communiqué states that, owing to the deterioration of the general military and political situation for Germany in the beginning of 1943, the German occupation authorities took for purposes of provocation a number of steps intended to ascribe their own crimes to the agencies of Soviet power, with the intent of sowing dissension between Poles and Russians. In the case of Katyn this involved false witness testimonies, the transportation of the corpses of Polish prisoners of war executed by the Germans to the Katyn site in order to artificially increase the number of the "victims of bestialities in the Katyn Forest," and the removal of documents and material evidence compromising the perpetrators. As for witnesses, several were used in order to complement the accumulated basic material evidence. Well now, the same witnesses were, insofar as they had remained in place and survived, used by the Soviet Special Commission. The issue of material evidence is more important.

2. The Communiqué cites nine items of material evidence pointing to German responsibility, on adding the rather confusing proviso that these are only some of the items discovered by experts. Yet the remainder was never published. These nine documents were discovered on six out of 925 reexhumed corpses. They were removed from the clothing of the first 100 reexhumed corpses (except that the last document was found on

corpse No 101). There were no personal documents among them. These items consisted of: one picture of a saint, five camp receipts, two postcards (one received, one not sent), and a letter from Warsaw addressed to a Soviet institution.

One of these items, the unsent handwritten postcard, was dated 20 June 1941 and the addressee was Stanislaw Kuczynski. And indeed, a cavalry captain by that name and surname, the grandchild of a Polish emigre, one of the organizers of the Turkish army, had been held at the Starobel'sk Camp, but already in November 1939 he was deported in an unknown direction and all trace of him vanished. Earlier, he had applied to the Turkish Legation in Moscow for a permit to enter Turkey.

3. The Communiqué refers to the exhumation and investigation of 925 corpses, but it identifies only four owing to the absence of documents in the clothing of the victims. Yet identification was possible. The corpses had previously been exhumed by the Germans and reburied in new graves on being provided with numbered metal tags and the list of names of the murdered prisoners had been published by the Germans before the Soviet Special Commission began its work. Had these corpses been those of the 150-200 ones not exhumed from Grave 8 or of the supposed additional several thousands not exhumed yet (4,000 corpses of Polish officers were exhumed against the 12,000 corpses allegedly buried in Katyn), new identity documents would have been found on them. Since the Germans had examined 4,000 corpses and found personal documents on most of them, and according to the Communiqué there were 11,000 corpses, why was no attempt made to find the corpses previously not exhumed and inspect them for documents?

The findings of the Polish Red Cross pertain to more than 2,700 identified corpses of murdered officers; their names were published, 3,194 documents were found on them, and so were even Soviet newspapers dating from the spring of 1940. The lists of names contain errors or fabrications; among others, the German list mentions a person who is alive to this day (Remigiusz Bierzanek) and several people murdered in occupied Poland (e.g., Colonel Jan Zaluska), but this does not detract from the credibility of the basic list.

4. The pocket calendar-notebook entries by the victims are dated until March, and in one case they extend as far as the first decade of April. The last date in the pocket notebook of Second Lieutenant Bartys of Krakow is 15 March, and the subsequent pages in the notebook were not ripped out and show no traces of erasure or obliteration of further jottings. A diary by Major A. Solski, which includes jottings for the period from 7 April 1940, when he had been transported together with 92 other persons, ends with the following jotting on 9 April: "Transported someplace to a forest or a kind of summer camp. Here, thorough body search. Watch showing 1430 (2030) hours confiscated. Asked about my wedding band, Rubles, trouser belt, and pocket knife confiscated.

(Version reported by Lieutenant Colonel Mossor; in Dr Wodzinski's version the language is different: "We were transported to a forest. 2030 hours. Watches, trouser belts, pocket knives, and rubles are being confiscated." If the sequence of the transports is considered, Major Solski was somewhere within the group of 644-736 victims and his corpse lay in a large grave containing 2,500 victims from which about a thousand had been exhumed by the end of April [1943].

His corpse was of a certainty exhumed after the visit to Katyn by a delegation of Polish prisoners of war from Woldenberg (mid-April 1943). The contents of that pocket diary, which numbers 29 small pages, were authenticated by Colonel J. Grobicki, a friend of Solski who had been transferred from Kozel'sk to Gryazovets. The diary's detailed references to life in the Kozel'sk camp (among other things, details on the quality of bread, on belts) and to the major's family warrant regarding it as an authentic document. The fact that no watches were found on the corpses appears to additionally confirm the authenticity of these jottings.

Could the personal documents of thousands of victims have been fabricated as the Communiqué of the Special Commission might imply? Could commissions of various experts have failed to establish that in March-April 1943, when in the presence of frost, snow, and a soil frozen hard, the graves were excavated, all documents and diaries bearing dates later than April-May 1940 had been removed by the Germans and, in addition, Soviet newspapers dated in the spring of 1940 thrown in? Was such a process of destroying some documents and supplanting them with others feasible within such a brief period of time and without leaving explicit traces on the clothing and in the arrangement of the massed corpses? The stuck-together mass of cadavers exhumed by the Technical Commission of the Polish Red Cross indicated otherwise. At Nuremberg, when he had retracted his declaration of 1943, Dr Markov of Sofia did not question this finding of an international group of physicians. And then also it would be hard to understand why newspapers from the spring of 1940 found on the corpses were discarded by those doing the exhuming for anyone to pick up. The testimony by A. M. Moskovskaya duplicating the narrative of M. Yegorov, a Soviet prisoner of war who was allegedly used to handle the cadavers, is unconvincing and not corroborated by other testimonies.

General Conclusions

The enigmatic and generalized nature of the Communiqué, with its avoidance of detail as well as with its internal contradictions do not warrant inferring substantiated conclusions but warrant mistrusting its credibility if allowance is made for such factors as: the testimonies at the Nuremberg Trial, the failure to include the Katyn question in the Verdict at Nuremberg, the reports of the Technical Commission of the Polish Red Cross, and the reports submitted to the high command of the Polish

army in the USSR. In particular, the guilt of 537 Regiment (which was a signals rather than engineer regiment) for the Katyn crimes was not proved, and neither was the guilt of Einsatzgruppe B. The claims that the officers were held in camps No 1-ON, 2-ON, and 3-ON and that their evacuation was not feasible sound rhetorical and are unsubstantiated.

The aforementioned Communiqué of the Special Commission of 1944 might be opposed to the extensive Western literature and radio propaganda on the Katyn question. Since then no new documents warranting the demolition or at least attenuation of the arguments in support of the NKVD's guilt whatsoever have appeared, and neither has there appeared any new evidence offsetting the lacunae, oversights, and contradictions contained in the text of the Communiqué.

Structural Breakdown in Agriculture Worsens

23000219 Hamburg DER SPIEGEL in German
21 Aug 89 pp 136-141

[Unattributed article: "The Chaos Has Gotten Even Worse: Why Polish Agriculture Cannot Feed the Poles"]

[Text] The pictures seem to be borrowed from another time. The horse-drawn carts the spoke wheels of which cut deep ruts into the reddish sand of the dirt road; the peasants who cut the rye with a sickle; the harvester-binders pulled across the field by a horse.

Oltarze Golacze, a village in Lomza Wojewodztwo, 100 km east of Warsaw, at the Bug River, that flows by this location broad and unregulated. Some 60 houses, almost all of them made of wood, only a few are built of bricks. No stores, no saloons, no church, no running water, only one telephone in the village.

With this Oltarze Golacze is among the privileged villages in Poland. As many as 10,000 villages have no telephone at all. Only every 23d farm in the country is connected to the telephone network. The size of about one-third of all Polish farms is between 0.5 and 2 hectares, only every fourth small farmer owns a tractor, most of them still work with a horse.

Czeslaw Bienkowski, 45, of Oltarze Golacze is one of the richer farmers according to these statistics. He owns almost 9 hectares of land, half of it fields with light, sandy soil on which he grows rye and potatoes, an Ursus 330 tractor manufactured in Poland, and a Skoda automobile.

In his barn he has 5 milk cows, a heifer and 2 calves, 3 sheep, 2 hogs, and, in addition, a few geese, and a flock of chickens. A typical mixed farm and just about enough to meet his own needs.

Bienkowski bought the tractor and the machines for dollars. "From my farming alone I could never afford to buy a tractor until the day I die," the farmer said. "Therefore I went to the United States, to 'Saksy,' as the

saying is here, because our greatgrandparents and grandparents moved to Saxony to work there as seasonal workers."

Bienkowski is actually lucky in this. He has a sister in the United States. He visited her twice, in 1981 and in 1988 and each time he found work as a gardener. The last time he stayed there for 10 months. During that time his wife had to take care of the farm by herself.

Many farmers from Lomza Wojewodztwo go for a visit to the United States to be able to survive as farmers in Poland. When you walk through the villages you can recognize at once the houses of the "Americans." They have replaced their traditional wooden houses with brick houses and they own tractors and other modern implements.

The crazy rate of exchange for the dollar, which moves up in Poland, makes even poorly paid black labor in the West worthwhile. "Over there I earned as much in a week as I would not earn here even in a year," Bienkowski explains. He would like to buy a threshing machine, the old one creaks pitifully.

But for him a new machine means running about, approaching secretaries of cooperatives with hat in hand, handing out bribes left and right, frustrating waiting. In the Polish economy the producers and distributors of products in short supply are kings. The customer does not count for anything.

"There is a community office and an office of the cooperative in the village in which the bureaucrats rule. They are the ones who have the say, upon whom all decisions depend, who can take care of everything. And they have the power here like it used to be at the manor house. The farmer who delivers his grain can wait for his money. Right now they have to take a tea break." That is the way the anthology "The Polish Farmer. Sketches for a Portrait," describes the present conditions in the countryside.

It is no different in Oltarze Golacze. Not only do the prices for agricultural means of production rise more rapidly than the prices of the agricultural products. "It isn't even possible to get close to a machine regardless of how much money you have in your pocket," Bienkowski says. "Last week we wanted to buy a new plow. The old one is broken. My wife was standing in line all night long and there was such a crush that her ribs were almost broken."

Some 4-5 percent of Poland's industrial production is earmarked for agriculture. Nothing in that has changed for years and nothing will change as long as the communists stay in power, according to Jacek Szymanderski, spokesman of the Solidarnosc of the independent farmers which is gaining in importance and gets in conflict with the workers Solidarnosc.

Szymanderski: "Industry has always neglected agriculture. The reason for that is the system. At the Ninth

Party Congress, the PZPR [Polish United Worker's Party] adopted the solemn resolution to increase the production of commercial fertilizer by 20 percent. At the 10th Party Congress it came to light that the production had declined in the meantime by 1 percent. That was the green light for the farmers."

"Everything must be paid for by the farmers," says Szymanderski. "All of the People's Poland, the big industry, Nowa Huta, Huta Katowice, the Gdansk Lenin Shipyard, everything was built from their money. The farmers were the only ones in this country who made real money by careful management."

Now they point out in support that a year earlier they had indicated a supply breakdown would occur in mid-1989 if nothing were done.

Nevertheless, the state agricultural enterprises which cultivate only a little over 20 percent of the land received the biggest credits—about 340 billion zlotys more than in the previous year, while the independent farmers are receiving only 100 billion more.

Szymanderski has an explanation for the mechanisms to be used in this connection: In the state enterprises the product still safeguards the party position. But when the independent farmer buys something, the product is wasted from the point of view of the party bureaucracy:

"When Mr Bienkowski buys a new zinc bucket, that is of no benefit to any comrade," Szymanderski says. "Therefore the party apparatus prefers to use the sheet zinc for other purposes, for example for the production of a machine which in turn produces other machines."

Many of the young people no longer want to accept that. They would rather be night watchmen in a factory than slave away in agriculture. In Oltarze Golacze there are only six families whose children want to take over the farm. In the eastern regions, along the border with the Soviet Union, there are entire villages inhabited only by old people.

A total of about 1 million hectares of agricultural land lie fallow in Poland while the country suffers from the worst supply crisis of the postwar period.

Every fourth farmer has passed the retirement age, for example Wladyslaw Kurkowski, 67, from Oltarze Golacze. He used to work in the local government office, he knows how things work, he has a nice farm: a total of 20 hectares, half of the acreage is land on which he cultivates above all barley.

"But there are still problems with selling. I still do not know how much I am going to get this year for the barley. Since price decontrol, the chaos has gotten even worse, the prices change from day to day, under these circumstances how is it possible to operate."

When the farmer puts something aside to buy a new trailer in the fall, the savings fall victim to the spectre of inflation of which nobody really knows how high it is. By

the end of the year, the experts fear, it will be in three digits. The exact figure does not bother Kurkowski much. He only knows that nobody can tell him the price for his barley or for cement or commercial fertilizer. "Quite apart from the fact that it is not possible to get either cement or commercial fertilizer without a substantial bribe," he complains.

Kurkowski himself has experienced the numerous course changes which the communist party forced on agriculture. First he tried dairy farming. Then the feed became more expensive and the price of milk did not change. At that point Kurkowski slaughtered the cows and put his money on grain. But he did poorly here too.

The present catastrophe has many origins, its roots reach back into the forties. But the Rakowski government, which resigned recently, according to the farmer, has finished off Polish agriculture: In spring it unexpectedly raised the prices for grain and potatoes. As a result raising hogs no longer paid and the farmers sold their swine.

"In the ministry they were gleefully looking forward to that," Kurkowski described the course of the catastrophe: "Wonderful, so many hogs in the purchasing offices." But now the purchasing offices and the stables are empty. And of course the stores, too.

Kurkowski has no confidence in the ZSL United Peasant Party which thus far has supported the communists and now seeks to gain power itself. Aleksander Bentkowski, the chairman of the ZSL parliamentary group in the Sejm, has spoken of a renewal, of complete independence, of credibility for all farmers.

"And what did the trash do," the old man asked, "They voted for Kiszczak. Probably because the honored general knows so much about agriculture."

And Kazimierz Pastewka from the hamlet of Wolka Somiankowska in Ostroleka Wojewodztwo no longer trusts the rulers in Warsaw regardless of their names. Price decontrol yielded him 20 percent more for his milk and 30 percent more for his meat—"but the government raises its prices by 200 percent," according to the farmer who cultivates rye and potatoes on 10 hectares.

Pastewka is regarded as a "zlota raczka," a person with golden hands. That is what the Poles call a man who knows how to repair a tractor, to build a house, or to dig a well. The demand for "golden hands" is big in the countryside. For Poland's rural population of about 15 million has only about 84,000 service enterprises at its disposal. Spare parts are just as hard to come by as new equipment. Thus quite a number of machines and even tractors that are home-made can be seen on Polish fields.

Pastewka did not assemble his own tractor himself, but if the hours spent on repairs are added up it is almost a homemade model. The Russian Lodimirets tractor has served him for 9 years.

Today he would no longer get such a vehicle, Pastewka says: "It is still so that the cooperatives get everything and the

independent farmers nothing. The cooperatives get as many tractors as they need. And then the equipment is treated there in a way that it breaks one's heart. It belongs to all, therefore it belongs to no one. After 3 years it is worn out and is auctioned off. And we independent farmers must then fight over equipment that is ready for the scrap heap."

Often such an old tractor is more expensive on the free market than one coming new from the factory—but the farmer would have to wait for it for 10 years.

Unless he joins the party, Pastewka's brother did just that. For years he had tried to get hold of a tractor. "He begged, he threatened, he tried bribery," Pastewka says, "nothing helped. Last year he joined the party. He had a brand new tractor 2 months later." Some 3 weeks prior to harvest time Pastewka was trying to find twine for grain binders. The fact that this item is not available especially at harvest time when all farmers need it is a plague that annually afflicts Polish agriculture like the potato bug.

Szymanderski in Plock observed a line of farmers—that looked pretty much to be of record length—who were trying to get twine: "Our people counted 1,500 people."

With price decontrol the lines did not disappear, even some new ones, previously unknown, formed.

"A few days after the magic date," according to the spokesman of the farmers' Solidarnosc, "I saw a tremendous line in front of the Hala Mirowska in Warsaw where the independent farmers sell their products. Like every ordinary Pole I first joined the line and then asked what was to be had here. Nothing is to be had here, was the reply, we are lining up to get permission to sell meat privately." Most of the farmers had been in line since early morning. Many gave up after half a day. That is what the introduction of the market economy looked like in practice.

The prices, the farmers complain, continue to be dictated by the big state trade monopolies. Private trade does not have enough capital to replace the state wholesale trade—and thus the farmers are missing an important partner.

In the countryside not much [effect] can be felt from Western aid. An assistance fund organized by the church did not materialize because the state demanded the power of disposal over the donated millions. The farmers are embittered because the government spends dollars to purchase meat in the West. It would be better to invest these funds in Polish agriculture, then the imports would be superfluous, they say.

It is still peaceful and quiet in most Polish villages. Protests have occurred in recent weeks only in some regions.

Szymanderski is not opposed to that. "If today someone calls up from a regional office and says the farmers are taking to the streets, what is Solidarnosc to do?" "Then," he says, "I know of only one piece of advice: to permit everything and to foster the protests to the best of one's ability."

POLAND

General on Nature of Foreign Intelligence Threat

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in Polish No 4, Apr 89 pp 5-12

[Article by Brigade General Edmund Bula, chief, Internal Military Service: "The Intelligence Threat: Invention or Reality?"]

[Text]

[Boxed item: Brig Gen Edmund Bula began service in 1945 in 9 Infantry Division. During 1945-47 he took an active part in the fighting against the UPA [Ukrainian partisans] in the Bieszczady Mountains. He has held many responsible posts in the Pomeranian and subsequently the Silesian military districts. During 1976-80 he served as military attache at the Polish Embassy in Yugoslavia. In 1986 he was appointed chief of the Internal Military Service. He is a graduate of the Wroclaw Agricultural Academy and the Military Political Academy.]

In recent years international relations, particularly between East and West, became redolent of optimism. The political detente is being accompanied by the first tangible measures reducing the possibility of resorting to force in the resolution of problems between the big powers and their allies. The long-awaited breakthrough in the disarmament dialogue has also taken place; for the first time, a consensus was achieved on liquidating a class of nuclear weapons. Further talks are under way between the Soviet Union and the United States as well as within the framework of the Conference on European Security and Safety concerning limitations on strategic and conventional arms. At the same time, countries of the Warsaw Pact have taken unilateral steps to reduce the arms potential and adapt their military structures to the level of the so-called indispensable deterrence ensuing from the defensive doctrine. Opportunities and hopes are being afforded by the Polish initiative, known worldwide as the Jaruzelski Plan.

The changes in the political-military domain are generating the development of personal, cultural, scientific, and economic ties between the socialist countries and the West. Now an exchange of thoughts and ideas is possible, along with mutual contacts between countries with differing political and social systems. These are foundations for not only peaceful coexistence but also the development of broad cooperation and collaboration. Thus the most solid conditions ever for stabilization are arising.

What then, in view of these changes, intelligence threats to the security of the socialist state and its armed forces can be expected? What is to be expected of the decision-makers in Western special service headquarters—decisions to preserve the status quo, to energize activities, or to conform with the spirit of political and military detente? These are important questions

because they concern issues vital to the interests of the nation and state. Unfortunately, the times we are living in are not conducive to sobriety of judgment, acuity of perception, and realism of expectations. Not infrequently, the fascination with what is happening, what is being heard and observed, in the international arena is such that references to and arguments in favor of any existing threat are hard to accept or are simply rejected; the view that we are losing our adversaries is too rapidly taking precedence. Theories of the disappearance or even "withering away" of systemic contradictions are being proclaimed, and pseudopacifist slogans propagated. But what is the reality like?

The processes of political and military detente will not eliminate the fundamental differences between the two systems of society.

The Ideological Struggle Will Go On

And it will continue on many—often new—planes. Its techniques will, moreover, be continually perfected and refined. Political disputes—conducted from a position of strength by the capitalist countries—will not disappear either. In this respect their material, technological, and also military superiority will be decisive. It should also be pointed out that the sociopolitical changes, the reappraisals of military doctrines, and the restructuring of armed forces in the socialist countries are taking place openly vis a vis world public opinion. In the present conditions the experience of the past and common sense do not warrant optimism as regards the intelligence threat. However favorable they may be otherwise, the changes in international political-military relations will of a certainty even now not reduce the intelligence threat. This thesis is justified by the actions of the adversary, and primarily by the intensity of his intelligence activities so far as Poland and other socialist countries are concerned. Even official Western publications are not concealing the fact that, for example, the intelligence network of the Federal Republic of Germany considers it a priority task to collect and analyze information on, primarily, the GDR, Czechoslovakia, and Poland; in this connection, since 1981 the principal direction of actions of the Federal Intelligence Service (BND) is to explore the situation in Poland (see, e.g., J. T. Richelson, "Foreign Intelligence Organisations," Cambridge, 1988).

Such elements of our domestic situation as the economic difficulties, the confusion in the political attitudes of a segment of our society, the antagonisms among certain constituencies, and the activities of circles of the extreme antisocialist opposition, are prompting the special services of the West to perceive in these circumstances greater opportunities and possibilities for the acquisition of intelligence, including intelligence on the armed forces. Significant also are the attempts to exploit the new situation ensuing from the reform decisions and the new approach to many matters. This concerns in particular the liberalization of passport laws, the economic

"openness" to the West, such as the formation of joint-stock companies with the participation of capital and persons from capitalist countries, the broadening of cultural and scientific contacts with foreign institutions, closer ties with Polonia organizations, the growth of tourism, and the facilitation of trips to Poland to owners of consular passports and emigres. The decisionmaking centers of the Western intelligence services unambiguously view these changes as broadening the possibilities for their operations and facilitating the establishment of contacts with persons having valuable information and the initiation of attempts at recruitment.

In view of the greater demand of political centers for information and the appearance of new data identification and gathering techniques, the intelligence agencies of NATO countries are expanding their structures, enlarging their personnel and adding new equipment. A large number of cells and outposts of United States and West German intelligence designed to organize intelligence operations against Poland and other socialist countries is being formed. New interrogation offices and polling centers collecting information from persons temporarily visiting the West, especially the FRG, are arising. In transit camps, the interrogation of resettlers from the socialist countries is being expanded by the intelligence services. This is so important that additional transit camps may be established. For example, Johannes Gester, the spokesman for domestic policy of the CDU-CSU [Christian Democratic Union-Christian Social Union] caucus in the Bundestag, recently appealed for the establishment of yet another camp on FRG territory (as publicized by BERLINER MORGENPOST of 24 Jan 89). The number of so-called beaters, recruited from among emigres and refugees with the object of identifying persons who have information of interest to intelligence, chiefly defense information, has also increased. At the same time, the Special Services of the NATO countries are expanding their personnel stationed in various positions at the diplomatic and consular missions in our country. In recent years, the numbers of the regular personnel of these missions have increased by about 25 percent. These people are properly trained organizationally and professionally to perform their duties in consonance with the current conditions reigning in Poland. In a situation in which the number of our citizens applying for travel to the capitalist countries (chiefly to the FRG) is steadily rising, intelligence personnel acting as ordinary government officials—often already inside these diplomatic and consular missions—are vetting them in advance to identify prospective sources of information. They also are looking for persons working in the government, party officials, the ministry of internal affairs, and the army, since these can be prime sources of information on the most important elements of the state. They often make granting of visas contingent on evaluations of the applicants from the standpoint of their amenability to providing information. They transmit the relevant opinions to their superiors in the West. According to FRANKFURTER RUNDSCHAU, FRG special services operate a so-called databank

holding information on, at present, about 10 million foreigners which is collected by FRG embassies and consulates, border posts, customs posts, political and criminal offices, and intelligence services. This concerns information on foreigners in the FRG and on their families and friends.

It may be pointed out that even such most frequent, prosaic rather than political, motives of Poles for traveling to the West as finding a job, the desire to amass some money rapidly, the desire to profit from illicit trading, to find housing, to become reunited with one's family, and to obtain a permit for a longer stay, all are exploited by the special services of NATO countries to make the newcomers dependent on them. This method is most often applied to persons who were previously tagged at diplomatic and consular missions. In the course of conversations with these persons the adversary attempts to obtain information on not only the problems but also characteristics of the Polish Army cadre with the object of getting to know individuals of interest to him and creating conditions favorable to recruiting their cooperation for intelligence purposes. Such cases are increasingly reported by persons returning to this country, although many of them often mention this only reluctantly, because they find it embarrassing or even, while abroad, humiliating. The importance of this problem is demonstrated by the fact that in 1988, according to West German sources, approximately 240,000 resettlers from socialist countries, including about 140,000 from Poland, came to camps in the FRG. Some of them are being exposed to intensive indoctrination and constitute "malleable material" in state offices and institutions.

In view of the doctrinal changes occurring in our armed forces, the intelligence services are focusing their attention on: the restructuring of the army, the staff work relating to the new defense doctrine, the provision of new equipment for the army, materiel resources, mobilization resources, and armament production. Being aware that an acute political struggle for the nature of the changes, for socialism, among other things, is being waged in Poland, these services display special interest in the mood within the Polish Army against the background of the domestic situation in Poland, in the political stance of the cadre and its resistance to antisocialist influences, in the attitude toward the allied [Warsaw Pact] defense system, and in any negative phenomena that could be exploited to discredit the army in the eyes of the society.

To acquire information of interest, the Foreign Intelligence Services are taking various steps to infiltrate the army. They are attempting to do so both in this country and abroad, on exploiting every opportunity to reach professional Polish military personnel, for example those serving on peacekeeping missions for the United Nations, those traveling privately or on duty to the West, and those assigned to Polish diplomatic missions in the capitalist countries. Such were the circumstances under

which the unmasked agents Celegrat, Chrost, and Dembowski had been recruited. Findings by counterintelligence services indicate that the arsenal of methods of recruitment by NATO special services consists chiefly of blackmail, psychological pressures, threats, and material bribes.

A significant phenomenon in the last few years has been the attention paid by intelligence services and political diversionary operations to selected Polish opinion-making and intelligentsia groups. This aim is being pursued by certain Western scientific and publishing institutions and radio stations, as well as by the contacts between their representatives, including regular intelligence operatives, in embassies and selected citizens of our country. In this way, for example, attempts are being made to instill in Polish society the belief that our economic difficulties are due to excessive military spending. At the same time, propaganda support, and sometimes also material support, is being provided to pseudopacifist youth movements and certain oppositionist groupings with the object of creating an atmosphere of mistrust toward, for example, certain necessary decisions of the state as regards national security.

Intelligence gathering abroad is complemented with infiltrating operations organized or conducted directly in Poland. Representatives of the diplomatic services, including military attaché personnel of NATO countries in Warsaw, are keeping under constant observation military units and facilities during so-called exploration trips in this country. The scale of the attendant threat is demonstrated by the fact that several hundred such trips were made during a year, particularly to the regions of the northern and western voivodships, and especially the Szczecin, Koszalin, Pila, Zielona Gora, and Gorzow voivodships. In this connection, the military attaché personnel of Great Britain and the United States are the most active. In this way, they are attempting to determine the combat readiness of the troops, the training activities, and the changes taking place in the surroundings of military units, and in addition they thus verify previously acquired information.

Observations of military units also are performed by certain Western tourists and drivers working for transnational trucking companies. The number of identified penetrations by tourists has been rising since 1985 and it now reaches several hundred annually. To this end the Western intelligence services also are using recruited resettlers from Poland, especially those linked to the military or persons residing in the vicinity of military units.

Western intelligence personnel in Poland, Poles abroad after their interrogation in transit camps, foreign diplomats in Poland, and foreigners temporarily visiting our country provide Western intelligence with crucial information that is impossible or difficult to obtain by other methods and means and that accounts for about 20-30 percent of all information acquired by the adversary,

with the remainder provided by technical ground, air, aviation, sea, and outer-space means.

Electronic Monitoring Equipment

Continually perfected, this equipment is positioned along the frontiers of the Warsaw Pact countries, on ships regularly cruising along the borders of offshore zones, and on satellites with geostationary orbits or with orbits running across the territories of the socialist countries. Also monitored are international telephone, telegraph, and telex lines. In addition, radio stations and navigation equipment are being monitored. Recently the adversary has been attempting to expand technical intelligence gathering from the territories of the Warsaw Pact countries, including Poland.

To this end, he is attempting to position automatic measuring and listening devices and to infiltrate with them the communication hubs, including state and military communications systems. He is providing similar but miniaturized equipment to his employees in diplomatic missions, and with the aid of that equipment they are monitoring communications, radar, and missile systems.

The scale of the threat on the one hand and the positive trends in the unfolding of the situation, stimulating greater "openness" on defense matters, on the other, are raising the question of a concept of optimal ways of protecting military secrets against the adversary. But before an answer is attempted the approach to those secrets and their nature are worth considering.

In the context of the new military doctrine a military secret is exclusively information which is of fundamental importance to national defense and whose disclosure to unauthorized persons may directly weaken that defense. At first glance, this definition does not differ much from previous definitions, but the modifiers "fundamentally" and "directly" shift the emphasis and thereby make this approach qualitatively new. For it implies the need to explore and isolate the main aspects of national defense, since only these, within the combination of diverse matters, facts, objects, and information, are the essence of the problem. Everything else is, compared to them, secondary and may at most be protected as service-related information.

This approach entails the praxiological notion of evaluating the system so far and defining precisely, at every level of the army's organizational structure, the domain of problems and issues of fundamental importance to national defense and bearing directly on it. Without going into detail it can be stated figuratively that this concerns the crucial information kept under lock and key and encoded in human memory, information which, properly speaking, the adversary can obtain only through the mediation of individuals. It accounts for about 10-15 percent of the information outside the scope of the adversary's monitoring equipment and visual penetration. When pondering the kind and location of secret information, it should be borne in mind that much of it

can be inferred from fragmentary information at even the lowest levels of military command. This is the objective aspect of the protection of classified information.

Another important aspect is the subjective treatment of military secrets. The ultimate bearer of these secrets is always the human being, in the sense of both knowing and using the information. For classified information does not disclose itself. Hence also, particular individuals—researchers, designers, military strategists, commanders, operators of important equipment—that is, persons who have knowledge of important information, should be aware that that information is subject to special protection in view of its paramount purpose, that of defending the socialist state. Hence the conclusion that it is necessary to define more precisely the circle of decisionmakers familiar with basic and direct defense matters at various levels of command and guidance (that is, familiar with the objective domain of information) toward whom appropriate official, training, and educational measures taken will be intensified. It should also be added that disclosure of classified information should be made solely on the basis of the duties performed by a given individual, on the principle of "Provide only as much information as is needed."

A third aspect of this matter, also of a praxiological nature, may be distinguished. It ensues from the maxim, "If we desire to protect everything, essentially we protect nothing." The point is that the resources of the counterintelligence agencies and their heads, which have so far often been frittered away by paying as much attention to secondary matters as to primary ones, should be focused on the principal factors, those crucial to national defense. In other words, less should be guarded but more effectively. The requirements toward the majority should be relaxed, but toward those in the know they should be doubled.

It should be emphasized that this view merely reflects one basic idea and thought. It is an attempt to interpret the protection of classified information in accordance with the new conditions. Bearing in mind this as well as the nature and intensity of the threat and also anything that relates to the restructuring of the military and concerns qualitative changes at the expenses of quantitative ones, a new view is needed on the protection of secrets, and especially on counterintelligence activity, which is no trivial matter. A model of common and creative prevention might be principally followed; it is chiefly based on elements of the personality of every serviceman, with special attention paid to nurturing within the military community features which minimize the possibility of growth of the intelligence threat. The fundamental factor is the feeling of shared responsibility

for the protection of one's unit (institution), as ensuing not only from the exercise of formal duties but also from inner conviction.

Creative prevention presupposes, on the one hand, the identification and elimination of the threats that arise and the creation of conditions for nipping in the bud any factors that adversely affect the functioning of the military. On the other hand, this is not an isolated, autonomous kind of prevention but should be linked to the process of command, training, and education at every level, and all commanders and service chiefs should—within the scope of their competences—take part in implementing the attendant measures. Such a model of prevention will produce the desired effects if its application is extended to the entire military and everyone is made aware of the intelligence threats, especially of the priority ones. This entails the need to revise certain training programs in military schools and units, to particularize tasks and duties at various levels of command and guidance, and to take appropriate publishing measures. The operating modes of the counterintelligence agencies are intended in this case to coordinate the actions of various elements and trigger mechanisms stimulating individual initiative in face of intelligence threats.

The effectiveness of military counterintelligence is primarily a function of three factors: the attitude of the military community (A), the activities proper to counterintelligence (C)—with their relationship being directly proportional—and the activities of the enemy (En). This is reflected in the formula below:

$$E = f(A, C, En)$$

An important role in preventive activities is indoctrination. In the model of creative and common prevention this is reflected in the principal tasks, which include:

- propagating knowledge about modern techniques of intelligence operations and the activities of centers for ideological and political diversion;
- inculcating in every serviceman the conviction of the need for specific modes of conduct ensuing from the duties exercised and pertaining to protection of the military;
- fostering the ability to perceive situational factors and visualize the consequences of action or inaction which may represent favorable conditions from the standpoint of the adversary;
- stimulating the desire to bear active assistance, which represents the basic momentum for conduct ensuing from inculcated needs.

The general and long-range objective is to create conditions such that every serviceman would KNOW HOW and BE AWARE, ABLE, and WILLING to actively and effectively counteract the threats.

INTRABLOC AFFAIRS

Bulgarian Perspective on CEMA Financing, Banks

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[Text] It is natural, in the process of restructuring cooperation within CEMA, upgrading the significance of integration forms on the microlevel, and granting greater freedom to national economic units, including the freedom to seek partners for the creation of new joint organizations, for both the number and the economic role of international economic organizations and joint enterprises to increase.¹ On a parallel basis the currency-credit mechanism must be restructured in accordance with the new requirements of the joint organizations operating on a cost-accounting basis. The need for funds in the course of their economic activities, and for a diversification of the currency structure of foreign financing sources used will increase significantly. In turn, this will inevitably require a variety and improvements in bank services on the national and international multilateral and bilateral levels, and providing contemporary bank services as well as the increased efficiency of bank operations.

In recent years the international socialist banks have taken active steps to facilitate access by joint organizations to their lending funds. Specific rules were also formulated on granting credits in transferable rubles. At the same time, as a long-term trend in bank activities, not only the transferable ruble but also the national currencies will be used as credit currencies, consistent with their inclusion in payment and credit relations among CEMA members, initially within the limits of direct contacts, joint enterprises, and international economic associations and organizations participating in the implementation of the Comprehensive Program for Scientific and Technical Progress (KP NTP).

These steps economically concretize the legal and organizational conditions within CEMA of cooperation between the International Bank for Economic Cooperation (MBIS) and international economic organizations and joint enterprises. Starting with the beginning of the 1970's, the CEMA Executive Committee adopted the "Uniform Rules for the Establishment and Activities of International Economic Organizations" and "Model Statutes for the Financing and Payments by International Organizations of Interested CEMA-Member

Countries." These documents stipulate for the international economic organizations and joint enterprises to open accounts in the MBIS and to use the facilities of the payment and crediting mechanism of that bank.

Taking into consideration the promising nature and significance of the activities of joint enterprises and international economic organizations, in recent years the MBIS has intensified its efforts to create favorable conditions for payment and crediting services for such progressive forms of economic cooperation among CEMA members, with a view to contributing to their development with the help of bank funds. Starting with 1 January 1987 the MBIS stipulated, within the framework of the existing payment and crediting system in transferable rubles, the organization and, jointly with the authorized banks of the MBIS-member countries, the implementation of crediting of measures for KP NTP and also to ensure the servicing of payments and direct crediting of joint organizations.

It is thus that for the time being the MBIS has the most advanced mechanism for crediting joint organizations in transferable rubles. This bank grants loans to international economic organizations, including joint production associations, enterprises, and mixed companies, related to the implementation of KP NTP and contracts for specialization and cooperation. A prerequisite for granting loans is for the joint enterprises to be juridical persons with a statutory capital and to conduct their activities on the basis of cost accounting.

The source of crediting of joint organizations are both personal and attracted MBIS funds. The loans are for specific purposes and are granted in two ways: Joint organizations may obtain term credits (up to 3 years) to pay for goods and services in the course of their operational activities; term loans may be obtained in setting up joint organizations and for making the initial deposits to statutory funds.

The bank can grant short-term payment loans repayable within no more than 2 months for the current activities of international economic organizations and joint enterprises which are MBIS clients.

The interest policy of loans in transferable rubles offered to the joint organizations follows, as a rule, the principles applied by the MBIS in terms of authorized banks of member countries. Based on the term of the loan, the interest rate for term loans ranges between 3.75 and 5 percent. The bank applies differentiated interest rates for loans in transferable rubles in the case of international economic organizations and joint enterprises in the capitalization of which countries which are not MBIS members participate. On the one hand, they are formed according to the category of the borrower; on the other, they are consistent with the current level of interest rates. Usually, this question is resolved on an operational basis by the MBIS management which subsequently informs the superior authority—the bank council.

Joint organizations may obtain loans from the MBIS on the basis of prepared and economically substantiated loan requests. They must include justification for the need for the loan. Another mandatory prerequisite is for the credit request to include the estimated economic effectiveness of the projects credited by the MBIS. The bank demands of the borrower to indicate the specific sources of funds for repaying the loan.

If necessary, in reviewing loan requests submitted by international economic organizations and joint enterprises, the bank management has the right to demand and obtain additional information contained in the constituent and other documents which regulate the activities of the joint organizations. In order to study the creditworthiness of the borrowers, the bank could analyze their balance sheets and annual activity reports and conduct additional investigations on their financial condition. Furthermore, the MBIS administration could resort to the services of the authorized banks in the countries where the joint organizations are located, and ask for their opinions and conclusions.

The bank administration must make a decision on granting loans to joint organizations. The bank announces its decision to the respective international economic organization or joint enterprise and signs a loan agreement with the borrower.²

In very rare cases the MBIS could extend the credit by no more than 3 years, with a motivated request by the borrower showing the reasons which have necessitated the rescheduling of repayment. In some cases loans may be prepaid as well.³

The crediting mechanism indicates that the direct loan services to international economic organizations, provided by the MBIS, makes it possible for such organizations to accumulate their own funds more efficiently, effectively to control their disbursement, and promptly and quickly make payments related to production and commercial activities. Furthermore, if the necessary conditions are present, and if needed, such organizations may obtain from the MBIS loans in transferable rubles for their development, at better interest rates.

In turn, the cooperation between the MBIS and the joint organizations enables the bank to use temporarily available additional resources for purposes of expanding and diversifying its operations. As a whole, direct contacts between international economic subjects and the MBIS could contribute to the intensification of cooperation on the microlevel among CEMA-member countries.

Nonetheless, we must emphasize that despite the possibility of making use of payment-credit services provided by the MBIS, the joint organizations are still showing a certain reluctance in this area. For the time being, business relations between international economic organizations and joint enterprises, on the one hand, and the MBIS, on the other, are still given second priority compared to relations that such organizations maintain with their national banks. At the present stage they

prefer to keep most of their funds in the national banks and use the latter's payment and lending services.

Positive changes in this respect could be expected not only as a result of MBIS initiatives in seeking new solutions in the area of relations with joint organizations and alternate areas of cooperation with them, but also as a result of MBIS explanatory and advertising efforts. In order to increase the interest of the joint organizations in the use of bank services, the active participation of the national banks and the respective competent organizations is necessary; they should not only show an interest in the study of such problems but also take specific practical steps which would contribute to the more efficient cooperation between the joint organizations and the MBIS. In this connection, in signing agreements on the creation of joint organizations the possibility should be contemplated of granting them freedom of choice in terms of bank services, not only on the territory of the location of the corresponding joint organizations, within the framework of the national banking system, but also within the framework of international banking institutions within CEMA.

One of the promising trends in improving payment and loan services to joint organizations by the MBIS is the use of credited funds and making payments in the national currencies of CEMA members. This would be consistent with the trend of using the national currencies in international payments and of credit circulation within CEMA. In this way monetary relations will participate to an increasing extent in all phases of the reproduction process on the national as well as the international levels. Strengthening the role of the international currencies will be a lengthy and difficult process, depending above all on the development of the internal monetary functions of such currencies. In order to be able to hope for enhancing the role of the national currencies, improvements in the economic mechanisms of CEMA members, including their monetary-financial mechanisms, should follow a trend of rapprochement among them. The optimal resolution of the contradiction between the system of centralized planning and distribution, which hinders free trade, and the need to develop commodity-monetary relations and marketplace forms of trade and payment in national currencies would contribute to the use of national currencies in the international socialist trade and balance turnover. Consequently, the use of national currencies by CEMA members is at its very initial stage and a number of obstacles must be surmounted. A suitable economic environment must be created. In this case, the MBIS as well could make its contribution to the overall aspiration to put to practical use the need for the use of national currencies.

The practical use of the payment and crediting mechanism in national currencies is related to bilateral and multilateral agreements among the national banks of the interested countries concerning the specific procedure for keeping the accounts and for limited conversion of national currencies on the basis of coordinated exchange rates. The joint organizations which are MBIS customers

could make their payments and obtain loans, in addition to transferable rubles, in national currencies as well. To this effect an agreement must be reached between the MBIS and the national authorized banks, allowing the MBIS to open and keep accounts in national currencies in these banks in order to provide payment and lending services to international economic organizations and joint enterprises which would have the right to instruct the MBIS to carry out conversion operations. At the same time, the MBIS would open accounts in national currencies for the international economic organizations and joint enterprises, in which they will keep their temporarily available funds.

The MBIS could organize a payment-crediting mechanism, which would include the possibility of conversion operations, by suggesting to the authorized banks of CEMA members to grant it credit and conversion lines in the name of the MBIS. The joint organizations will use such funds if necessary, depending on their actual needs in the areas of their production, commercial, investment, and other activities.

MBIS activities in the area of payment and lending operations in transferable rubles and national currencies, needed to meet the needs of international economic organizations and joint enterprises, are one of the ways to improving their banking services. Let us point out that for a number of years the MBIS has shown an active interest in encouraging the creation of new and improving already existing joint organizations.

The study of the mechanism for crediting joint organizations in transferable rubles by the MBIS indicates that conditions for granting loans have been created and legally regulated. In other words, the bank has not only shown activeness but has also taken practical steps to formulate a special procedure for lending funds to international economic organizations and joint enterprises. Nor should we ignore the fact that the existing legal regulations in this area stipulate an unnecessarily complex procedure which involves providing a number of documents which delay and largely unnecessarily bureaucratize the process of discussing, granting, and repaying loans. This is one of the explanations for the still limited practice of using MBIS loans in transferable rubles by joint organizations.

From the economic viewpoint a much more essential reason for the insufficient interest shown by international economic organizations and joint enterprises in borrowing transferable rubles is the nature of the currency in which the loan is granted and the lack of monetary functions of transferable rubles, making them a convertible currency commodity.

As a rule, despite the clear positive role which the MBIS could play in meeting the payment and loan needs of the new integration forms on the microlevel, we must frankly say that in terms of its nature this bank acts more like an account clearing institution which services a

specific clearing system. For that reason objective limitations exist which hinder the MBIS entirely to take over payment and credit operations which joint organizations need in their activities. Such tasks could be carried out, in addition to the national banks, by an international commercial bank.

At the present time, when the economic units of most CEMA members are being given greater independence within the national economies, and when the principles of cost accounting and foreign currency self-support are extensively entering their activities, direct relations among economic subjects, guided by their economic interests, will assume increasing importance in cooperation among CEMA members. Under such circumstances it would be natural to seek ways of establishing a banking institution operating on a purely economic basis on the microlevel, as a fully authorized lending institution. This role could be played by an international commercial bank established with shares contributed by interested economic units and national commercial banks, for the purpose of servicing direct integration relations and joint organizations.

Although for the time being the new forms of cooperation are conducted essentially on a bilateral basis, and payments related to their activities have a relatively low volume, we deem it expedient, from the viewpoint of their long-term development, for such a lending institution to be established. The creation of a commercial bank of economic organizations of interested countries would be preceded by a detailed study both of the basic problems involved in its establishment and functioning, as well as the practical problems and difficulties which could appear.

In the first place, reaching an agreement on determining the statutory capital and the principles for capitalization would be of basic importance in the establishment of the new credit institution. The constituent economic units should have a clear advance idea of the currency structure of the statutory capital, i.e., of the share of funds in transferable rubles, national currencies, and convertible currencies. In our opinion, national currencies should play the main role, for with the development of their monetary functions, they will be the most natural monetary-credit link on the microlevel. For the time being, however, a number of reasons exist which hinder the use of national currencies and their respective convertibility in the economic meaning of this term. That is why, in all likelihood, national currencies will subsequently assume their proper place in international currency-credit relations. Difficulties will also appear in providing the share of the statutory capital in convertible currencies. In order to facilitate the involvement of funds in convertible currencies from the international currency and loan markets, we should consider a possibility of the participation in the commercial bank of some capitalist enterprises or banks which would show an interest in joint economic initiatives.

Second, a very important question which must be considered in advance, is that of establishing the most expedient variant for the organizational aspects of the commercial bank. Realistically considered, the shareholding form of association could meet to a great extent the reciprocal interests of the participants, for this is an organizational structure which has been tested in international practices. Furthermore, the possibility of seeking other alternative solutions is not excluded.

Third, attention should be paid to the study and development of a point of view on some problems which could arise after the bank has been created. Thus, for example, the bank board should have a clearly organized system which would enable it to develop a way of making quick decisions on granting loans and which would apply to all stages accompanying lending operations. We believe that such a bank should be marked by an atmosphere of practicality, flexibility, and possibility of fast decision making, based on a clear concept of the rights of the individual bank officials. With the creation of the bank we should not automatically apply the elements of banking practices of individual countries, reflecting emphatically internal conditions and which would hardly contribute to the efficient functioning of the new crediting institution. We must also adopt a careful approach to borrowing practical solutions from the experience of international socialist banks. We must not forget that this will be an institution created by economic subjects on the microlevel, based on reciprocal interest and not on intergovernmental agreements.

Fourth, it is very important from the very beginning to make it clear that the bank will function on the principle of self-support. The observance of this principle will require the formulation of an independent lending and interest-rate policy, seeking advantageous foreign sources and establishing favorable correspondent connections with credit institutions on the territory where the commercial bank is located and with other national and international banking institutions in the socialist and capitalist countries.

The establishment of a commercial bank owned by economic subjects from different countries may be considered, although in the more distant future, a long-term solution based on economic interests. This will largely contribute to the development of the new forms of cooperation among CEMA-member countries on the microlevel. Bearing in mind that the commercial bank will have the opportunity to provide efficient services to international economic organizations, joint enterprises, and other joint organizations, it could play a positive role in the process of the assertion of the existing and stimulate the creation of new joint organizations, the more so since because of its position it will be a new type of joint organization of economic subjects of CEMA-member countries.

The International Investment Bank (MIB) will become part of the mechanism of crediting joint organizations in the near future. It has already taken steps to finance

projects in the priority sectors of cooperation and in making loans to joint organizations. The question of organizing investment crediting is being discussed, using as a currency for loans, in addition to the transferable ruble, the national currencies of CEMA-member countries, as one of the long-term trends of bank activities. Initially, the national currency will be used as the currency for making loans in cases of direct ties, joint enterprises, international economic organizations, and other forms of economic cooperation on the microlevel. In the final account, the objective is for the MIB to provide payment and crediting services for investment operations by joint enterprises and international economic associations and organizations. The creation of an innovation fund is stipulated, from withholdings from some of the annual bank profits in transferable rubles and in convertible currency, ensuring the bank's participation in the financing of joint application activities in leading areas of science and technology, including the purchasing and development of licenses, know-how, etc. Also of interest is the future credit participation of the MIB in specialized national and international leasing operations by CEMA members.

The process of economic cooperation among economic units of CEMA members through direct production and scientific and technical relations, as joint enterprises, international organizations and associations, is also enhancing the activities of the national banking systems. The individual CEMA members are seeking bank instruments for influencing joint organizations, encouraging their efficient development, and developing a closer integration with the national economies. In addition to financing and accountability, crediting is one of the basic areas for establishing bilateral relations on an economic basis among bank institutions and joint organizations.

With the gradual application of the principle of autonomy of economic units in Bulgaria, facilities are provided for their managements themselves to decide the type of correlation they want to maintain between their own funds and bank loans as sources of financing, based on their accepted development strategy. This should lead to the establishment of an economic climate in which, initially, the target of bank influence may seem reduced. Actually, relations between the borrower and the lender will change qualitatively, in such a way that the banking institution will be able better to control and stimulate the efficient use of the borrowed funds. It is natural for such an economic environment to be extended also to the joint organizations consisting of Bulgarian economic units and the economic units of other CEMA members, located on Bulgarian territory.

The second economic prerequisite in the course of which joint organizations are being credited in our country is related to the characteristics of our national banking system. The decentralization of the banking system and the creation of a number of commercial banks provides richer opportunities in the search for favorable credit conditions and improving the variety of types of credits.

The main types of credits which could be made available to the joint organizations are in national currency. The joint organizations can obtain loans for working capital. Loans in national currency for capital investments are granted to the joint organizations by commercial banks where they keep their accounts and which keep track of the investment process.

It is worth noting that the national legal system for crediting presumes the development of a favorable system with a view to encouraging the development of joint organizations and direct ties with economic subjects in other CEMA members. The specific manifestations of privileged crediting in leva for working capital and for capital investments are related to the implementation of priority tasks of national economic and scientific and technical policy as well as the implementation of leading integration measures.

First of all, by offering advantageous crediting conditions, the activities for the entire cycle from design-engineering and the creation of prototypes, to the application of the new equipment and technology in production, are covered. Particular attention is paid to crediting the production of crediting types of items on the level of the best global models. Furthermore, another criterion for granting credits at more advantageous conditions is the requirement of meeting the needs of the national economy for scarce goods.

In concluding credit contracts with joint organizations, Bulgarian banks could provide the following credit incentives:

- An advantageous interest rate;
- A grace period of up to 12 months within the term for the repayment of the loan. During that period all the borrower has to pay is the interest without any payment on the principal;
- A lesser share of enterprise funds;
- The granting of loans without a share participation with enterprise funds.

The amounts of such credit facilities are not determined in advance but must be agreed upon between the banks and the borrowers and set in the lending contract.

Second, along with privileged lending conditions, the banks create opportunities for simplifying the procedure and conditions for opening the financing of projects for capital construction carried out by joint organizations. Such facilities are provided also in payments made by joint organizations, related to their capital investments.

Third, with a view to ensuring rhythmical and efficient development during all the stages of the reproduction process in the activities of the joint organizations, in their desire to ensure promptness in payment operations with suppliers and performing organizations, the banks ignore some customary bank requirements. Thus, for example, they grant to the joint organizations loans for

imports, regardless of any delinquency in the repayment of previous bank loans and the steps taken to ensure such payments.

Treating the joint organizations as a special type of borrower by granting them a number of credit incentives and facilities could be considered a positive contribution by the Bulgarian banking system to stimulating the new forms of economic cooperation among CEMA members on the microlevel. With the help of initiatives aimed at making specific changes in some areas of the national system for economic regulation, a favorable economic environment could be created in the country where the joint organization is located. In the course of combining steps taken on the national and international levels to stimulate progressive integration forms, in the final account the national efforts in that direction will be of decisive significance. At the same time, these steps could be considered also as initial real efforts at bringing closer to each other the economic mechanisms of CEMA members. This process will also largely depend on the readiness of most CEMA members to coordinate the development of their economic mechanisms with the requirements of adopting a new approach to joint economic activities.

At the same time, we should not allow any exaggerations by creating excessively favorable conditions for the activities of the joint organizations, which would put them in an artificial economic environment. In this connection we cannot consider as positive the indicated possibility according to which Bulgarian banks could grant new loans even in cases of overdue payments. We must very flexibly combine stimulating credit facilities with the application of strict penalties for nonfulfillment of already agreed upon (in some cases very promising) obligations.

In addition to loans for working capital and capital investments in national currency in Bulgaria, Bulgarian banks could grant joint organizations loans in foreign exchange.

For a long time Bulgaria has maintained the practice of granting loans in foreign exchange. This practice has been developed and enriched in accordance with changes in the overall mechanism of national economic management. Under conditions of the strengthening of self-management of economic units, the increased participation of Bulgarian banks in international currency and loan markets and involvement of foreign investments, such loans are becoming increasingly important. The purpose of foreign exchange loans is to make them an efficient form for closely linking expenditures in foreign currency for imports of machinery, equipment, know-how, licenses, and so on, to the economic results of their application. The purpose is to react promptly and flexibly to the advanced achievements of scientific and technical progress in their accelerated practical application. Crediting in foreign exchange could be considered also as a progressive form of increasing the national exports and their competitiveness.

Such practices exist in other CEMA members as well. Thus, for example, in Poland at first enterprises exporting to capitalist countries were able to obtain only short-term loans in foreign currency from the Polish Foreign Trade Bank, to finance imports of raw materials, materials, and semifinished goods needed to fulfill specific export contracts. Subsequently, foreign exchange loans began to be granted by other banks as well, on extended terms. An increasing share of such loans used to finance measures for production development and updating.

In Hungary, where there are foreign banks and banks with mixed participation, the possibility of using foreign exchange loans from these institutions as well are increasing. Depending on the status of the bank, the process of foreign exchange loans is controlled by the National Bank to different extents. Thus, for example, Hungarian enterprises may address themselves to the Central European International Bank (Budapest) without the preliminary agreement of the Hungarian National Bank. Subsequently, they are exempt from Hungarian financial-credit regulations. Interest rates on loans are set on the level of the corresponding interests charged on the European capitals market for the respective types of lending operations. However, Hungarian enterprises are forbidden to obtain foreign exchange loans from Citibank (Budapest) without the advance approval of the Hungarian National Bank.

In the past few years, the number of Bulgarian banks who have the right to grant loans in foreign currency has increased. This process is accompanied both with a diversification of credits as well as increased requirements toward borrowers, while strictly observing the principle of self-support of economic units in foreign exchange. The enriched practices of crediting in foreign exchange in Bulgaria also led to the involvement of joint organizations as specific borrowers. Bulgarian crediting institutions have already been granted the legal right to offer foreign exchange loans to joint organizations. Those authorized to engage in such activities are the Bulgarian Foreign Trade Bank and the other specialized commercial banks. These banks have the right to grant joint organizations loans in foreign exchange on a priority basis, all other conditions being equal. Foreign exchange loans are specifically targeted. They are aimed above all toward financing imports for the creation and updating of efficient equipment and the application of contemporary technologies. Such foreign exchange funds must also be used in the production of new materials and raw materials which could contribute to reducing material- and energy-intensiveness of output. Granting foreign exchange loans for the transfer of technologies, which would include in the production process already used local resources, is a promising trend. Experience in granting foreign currency loans to Bulgarian economic organizations for such purposes has been acquired by the Mineralbank as well. Naturally, this bank must be developed as leading in granting foreign exchange loans to joint organizations to develop new and ensure the fuller

use of Bulgarian raw materials. The purpose of such loans is above all to achieve anti-import results. Some foreign exchange loans will be granted to balance the domestic consumer goods market.

Based on a contract concluded between the joint organization as borrower and the respective banks, the specific conditions for the granting, utilization, and repayment of borrowed funds are specified. It is characteristic that in this area as well more favorable conditions are stipulated in the case of joint organizations compared to local economic units. Taking into consideration the situation on the international credit markets, the banks determine the possibility of charging an interest rate which would be most advantageous to the borrower. Other incentives are allowed as well.

Taking into consideration the requirement of foreign currency loans to be used for the installation and updating of efficient equipment and modern technologies, the production of raw materials, materials, and goods and the more efficient use of local raw materials, the lending banks determine in advance the source of repayment of the loan. They include as a mandatory stipulation in the contract the repayment, in foreign currency, of the loan, the interest, charges, and other expenditures in the country and abroad, which are paid for in the originally lent currency out of funds from strictly defined sources, above all from income from exports by the credited enterprise.

As we know, every month the rates of exchange of convertible currencies in terms of the leva change and are published in the exchange bulletin of the Bulgarian National Bank. On this basis exchange differences may arise in recomputing the loans to be repaid. In banking practices such exchange differences must be absorbed by the borrowers. Let us emphasize that due to the instability of the convertible capitalist currencies in which the loans are granted, the exchange rate differences which could appear between the time that the lending contract has been concluded and the time that the final repayment has been made and the interest paid, could prove to be significant. For that reason, the joint organization of the lender and the borrower should anticipate in advance the development of the rate of exchange of the original currency in which the loan was granted. Most frequently, however, such activities are either foreign to or outside the possibility of the joint organization. That is why other ways should be sought to protect the currency interests of the joint organizations. In our view, it would be expedient, once the loan in foreign currency has been obtained, for the joint organizations immediately to make a deal to cover eventual losses from future exchange differences. This could be a term foreign exchange deal concluded between the joint organization and the respective commercial bank. By increasing the range of operations of commercial banks in the Bulgarian People's Republic, opportunities are created for the use of term foreign exchange deals. Due to the lack of prompt quotations on the exchange rates of convertible currencies to the leva, however, this possibility can be

applied only by signing a term deal between the Bulgarian and a foreign bank. However, such a deal could not cover all the risks of the joint organization, caused by changes in the leva equivalency. Unquestionably, not only because of the granting of loans in foreign exchange but also because of the expansion of foreign exchange operations by both Bulgarian economic units and joint organizations, the question of compensating for exchange differences will become increasingly relevant. That is why it becomes even more necessary to introduce in Bulgarian bank practices both the daily quotes of rates of exchange of convertible currencies as well as term foreign exchange quotes.

As a whole, the possibility of using loans in foreign exchange by joint organizations could play a certain role in their development as independent economic subjects operating on the basis of financial and foreign exchange self-support, and as bearers of initiatives for innovative measures. Without overestimating the role of the joint organizations both in terms of the national economies as well as the updating of international cooperation within CEMA, let us emphasize that they could become the embryos of full participants in international trade and balance of payments in the future united market of CEMA members. The hopes which are invested in the joint organizations logically require the proper development within the national economic influence instruments for loans in foreign exchange. For that reason, the practice of granting to joint organizations loans in convertible currencies should be broadened.

Let us frankly admit that despite the fact that privileges have been granted to the joint organizations in terms of the legal regulations for obtaining loans in national and convertible currencies, cases in which the joint organizations themselves resort to such borrowed funds as juridical persons remain extremely rare. Most frequently those requesting loans from Bulgarian banks are our national economic units participating in their respective joint organization.

One of the reasons for this is the still very small number of joint organizations which truly operate on a cost-accounting basis and have independent production and commercial activities. Equally important is the fact that the joint organizations have still not developed a sufficient psychological readiness to establish independent contacts with national banking institutions. Among the Bulgarian participants themselves the custom is still to establish and maintain business relations within the framework and on behalf of the participating Bulgarian economic organization. A certain role in this case is also played by the traditional payment and credit relations which have a restraining influence on developing a new viewpoint concerning the joint organization in the economic life of the country. There is also a certain degree of inertia and of incomplete familiarity with the legal documents and the priority treatment given joint organizations by the lending banks. For this reason, favorable opportunities are lost for the use of advantageous

loans for achieving an optimal combination of the correlation between enterprise and borrowed funds in terms of their more efficient spending.

A new opportunity for providing loans and payment services of joint organizations was created by the end of 1986 for Bulgarian and Soviet economic units by establishing the Bolgarsovinvest Bulgarian-Soviet financial company. The company will grant associations, enterprises, and organizations maintaining direct relations, joint enterprises, and international associations of the two countries loans in national currencies, in transferable rubles, and in convertible currencies, along with consultation, marketing, and other services, on a contractual basis. The lending funds will come from the company's sources, and funds from the national banks of the two countries, the MBIS, the MIB, and other foreign banks. The purpose is for this financial company to develop as an institution for fast reaction to the need for investment resources, which could become a prerequisite for a more flexible lending mechanism. At the same time, the fact that this company will grant credit under commercial circumstances, will increase the cost of the loans. The Bulgarian-Soviet financial company has still not developed its activities, for which reason it is too early to judge of the viability of such a form of bank-crediting bilateral cooperation.

This leads to the general conclusion that at the present stage of international multilateral and national levels a relatively good legal foundation exists for the development of favorable economic conditions for crediting joint organizations. At the same time, as a whole, the joint organizations are still not acting as economic subjects seeking ways for the most efficient use of borrowed funds. Their conversion into truly independent international economic organizations will be a lengthy and difficult process. It will depend on the extent to which commodity-monetary relations will be established in the individual countries, the intensiveness with which new approaches and planning methods will be applied, and the way the role of the market will be created and will grow in the national economies. From the international viewpoint, it directly depends on reducing differences between the economic mechanisms in the individual countries and eliminating the bilateral nature of balancing trade and payments, based on the strict system of setting quotas for reciprocal procurements, the use of realistic prices and foreign exchange rates, and the creation of conditions for the introduction of convertibility.

Despite this fact, under such circumstances as well the joint organizations should seek all possible ways of economic self-assertion and the use of all existing mechanisms for promoting commodity-monetary relations on a national and international level. That is why in the area of their lending services, it will be necessary, in their future activities, to trust more the privileged lending possibilities provided by national and international banks, applying a selective approach to the individual

crediting institutions. As a result, they will unquestionably concentrate on the more skillful management of their finances in various currencies and will enhance their managerial confidence as international economic subjects.

Footnotes

1. The term which will be used most frequently is that of "joint organizations."

2. The lending agreement stipulates the following:

The amount, the currency, and the purpose of the loan;
Procedure for the use of the loan;

The interest rate;

Repayment terms for principal and interest;

Other data as agreed by the MBIS and the international economic organization or the joint enterprise.

3. MBES—"Instruction on Crediting in Transferable Rubles," Moscow, 1988, p 14.

CZECHOSLOVAKIA

Adamec Describes Economic Situation at 14th Joint Session

24000173a Prague DOKUMENTACNI PREHLED in Czech No 28, 1989 pp 17-21

[Article by L. Adamec, chairman of the CSSR Government, based on a report on national economic development presented by him at the 14th Joint Session of the Houses of the Federal Assembly on 20 June 1989: "Economic Situation of the CSSR"]

[Text]

Current Economic Situation

We are building on the positive results of the profound revolutionary changes of the past four decades. The economic, political, and cultural maturity of the country has created favorable conditions for the further development of socialism. The position of the individual has been changed fundamentally, an immense capital base has been built encompassing both industry and agriculture. Basic differences between the CSR and the SSR have been eliminated, as have differences between more and less developed regions, between cities and villages.

We do not view these achievements one-sidedly. Inadequate resource utilization has led to increasingly serious problems in management, the structure and performance of the economy. Unfavorable trends have for some time now been evident in the Czechoslovak economy. These trends are preventing the economy from shifting to a qualitatively higher level of development.

From Extensive to Intensive Development

We can achieve economic stability, but only based on correct and timely decisions. We have been capable for

some time now of achieving quantitative growth. Thanks to this capability our per capita production of many items exceeds that of many developed capitalist countries. We are among the largest producers of steel, coal, cement, electricity, plastics, machinery and equipment, cotton fabrics, footwear, meat, flour, beer, and other things. Currently an excessively large portion of this output is designated for production consumption and investment. A significant portion of this wealth is frozen in excessive inventories. We rank among the leading countries in Europe in our consumption of most standard products.

After the exhaustion of resources and the potential for extensive development lags began to develop in production, technology, science and social areas. This in turn has begun to threaten the standard of living.

Results of the first three and one half years of the Eighth 5-Year Plan clearly demonstrate the depth of the conflict between quantity and quality. Instead of the projected increase in gross national product of 18-19 percent over the course of the Eighth 5-Year Plan it now looks like the increase will be more on the order of 14 percent, which amounts to Kcs 100 billion of resources that will not be produced. We are not succeeding in implementing programs of production consumption. Resource formation is lower than we had expected. This is having serious consequences in increasing pressure on the domestic market, in an inadequate modernization pace of the capital stock, and in increased indebtedness.

The successful implementation of a restructured economic mechanism depends on a joining of forces between a unified managerial center and the enterprise sphere. Without innovative and modernizing projects in all critical and future areas of interest to our economy we will not make any forward progress either at the central or the local level.

Structural Changes

Czechoslovak society needs to enter the next millennium with a more efficient production base. We must be capable of adding as much value as possible to the qualifications of our work force and our natural environment. We have to implement these important changes by reallocating resources, because we have run out of unutilized or underutilized resources. Initial, incomplete estimates for the Ninth 5-Year Plan project the expenditure from central resources of about Kcs 70 billion on developmental, ecological, and transportation programs.

The high level of state subsidies is among the most complex problems of the shift to self-finance. After restructuring wholesale and procurement prices these subsidies will amount to about Kcs 90 billion annually, two thirds of which are for foodstuffs.

Without straightening out financial relationships; prices, wages, transfers credits and taxes, it will be impossible to make economic reforms successful. The goal of financial

and currency policy will be to implement at all levels criteria for monetary equilibrium and a stable currency.

Investment Efficiency

Annual plans called for investments to level off in 1986-88. In fact, though, they increased by almost 11 percent. The level of investment in our country is comparable to that in developed countries. The overall effectiveness of the resources expended, however, is very low, mainly because we manage the investment process poorly. The excessive costs of capital construction are the fault mainly of poor construction performance. The effectiveness of capital construction is to a large extent limited by the slow pace of the practical application of R&D results. In relation to our population our R&D facilities are comparable to those of developed countries. But in terms of the needs of the firms that produce two thirds of a world product mix domestically, these R&D facilities are not capable of meeting innovation requirements at the requisite level. This is one of the main reasons that we are 10 or more years behind the rest of the world in most fields.

Foreign Trade

We are actively attempting to improve socialist integration, and we are supporting the move by the CEMA to a new mechanism based on economic interests and techniques.

The inappropriate structure and low efficiency of foreign trade has resulted in a large imbalance in our balance of payments. In the Eighth 5-Year Plan our balance of payments deficit in trade with socialist countries will reach 35-40 billion foreign currency korunas. The deficit in our trade in freely convertible currencies has already reached 100 billion foreign currency korunas.

Agricultural Output

We have been achieving good per hectare yields in most grains for some time now. Nevertheless we are not self-sufficient in grain, even with the record harvests of recent years. To support our large meat consumption we imported in 1988 almost 500,000 tons of grain for 65 million dollars.

The lack of symmetry between plant and livestock production is a large problem. In the past three years livestock production has grown more than twice as fast as plant production, but at the price of excessively high costs.

Necessary Changes in Industry

We must change current plans for the development of the fuel and power generation complex. We consider it most critical to reduce fuel and power consumption in the national economy. For almost four decades now we have simply increased extraction capabilities and the capacity of electric power plants. Mandated objectives for reducing consumption are not being met.

In our decisions about gradually restricting the mining and export of uranium, we are keeping in mind that this will affect the lives of several thousand people.

We have become one of the few countries in the world capable of producing special, enhanced steels, alloys, and pipe for very demanding applications. The future of metallurgy lies in a gradual reduction in steel production, and an increase in production of the speciality steels.

In comparison with industrially developed countries great disproportions exist between exports and imports of machines. Many of our products are not competitive in terms of either technical sophistication, quality, or price. On the other hand, we are not able to satisfy foreign demand for other machinery: machines for the printing, textile, and leatherworking industries, filling and packing machines, and electrical household appliances.

In 1989 the CSSR is cutting back arms production by 16 percent, and in 1990 the figure will be a full 25 percent. Adapting many facilities to future civilian programs is one of the most complicated tasks of the Ninth 5-Year Plan. Decisions on reductions in personnel, weapons, and on organizational changes in the Czechoslovak People's Army will set the stage for a significant increase in the role of the army in implementing national economic programs. Reductions of 15 percent in budgeted expenditures on defense in 1989 and 1990, reducing the number of soldiers in combat units by 12,000, and beefing up army, construction, and railway organizations by 20,000 soldiers will all have a significant impact on the economy.

The Human Factor

We cannot continue to use production equipment for the most part on only one shift, continue to allow the use of only about 75 percent of each work day, or to expend about Kcs 50 billion annually on the unnecessary maintenance of unused capital equipment. Such practices are some of the reasons that our labor productivity at the national level is about 50 percent of the productivity achieved by the most highly developed countries.

Even though resource formation in the Eighth 5-Year Plan is lagging behind planned objectives, targets of the social program of social and personal consumption are being met. Male employment in the CSSR (60.4 percent in 1987) is approximately equivalent to other countries, and female employment (50.0 percent in 1987) ranks us among the world leaders.

Consumption of public services by the population reached Kcs 202 billion in 1988, and has increased since 1970 by a factor of three.

In the past three years labor productivity has increased only 6.2 percent, although the Eighth 5-Year Plan projected an increase of 9.5 percent in the first three years. Wage development is also deviating from plan targets.

Women in a given profession and qualification category receive an average wage that is 10-20 percent lower than that of a man in the same profession and qualification category. This is wrong.

The current level of rents is a serious economic and social problem. The state budget subsidizes the losses incurred by apartment management enterprises to the tune of Kcs 5.9 billion annually. It has been calculated that about 6 percent of all households do not have their own apartment.

The government will support measures that make it possible for women to work shorter hours. Currently 6-8 percent of employed women have shortened work hours, and at least twice this percentage is interested in this possibility.

The next 5-year plan will see a fundamental change in the evolution of labor resources and employment. The classes that are reaching productive age are large, and it is estimated that 360,000 workers will enter the work force during the next 5-year plan.

The society considers the living conditions of 3.5 million retirees, 22 percent of the population, to be its natural responsibility.

Self-Consuming Model of Economic Structure Discussed

24000171c Prague SVET HOSPODARSTVI in Czech No 79, 1989, p 2

[Article by Karel Dyba, Czechoslovak Academy of Sciences [CSAV] Projections Office: "A Self-Consuming Economic Growth Model"]

[Text] The production structure of an economy can be expressed either as the percentage of total value added provided by given sectors, branches and fields, or by the percentage of total employment accounted for by employment in a given sector, branch, etc. During economic growth, as economic sophistication increases, this production structure undergoes typical, even inevitable changes. This movement is determined by the more or less similar evolution of consumer demand. In the final analysis, this consumer demand even determines the form taken by investment demand, technical progress, and foreign demand as economic sophistication increases (economic sophistication can be roughly measured by the level of gross domestic product [GDP]). A typical production structure has been derived theoretically and tested empirically by a number of studies throughout the world. To the extent that a given country deviates from this typical structure the reasons may be found in other variables such as the size of the national economy, its raw material resources and climate, and institutional factors (whether it has a market or centrally planned economy, whether it pursues an autarkic or liberal development policy, etc.).

Analyses have shown that the production structures of the economies of socialist countries at specific points in time (i.e., the 1950's, 1960's, 1970's and 1980's) have always deviated significantly from the typical structure, which is based on market rationality in comparable economies, and that these deviations from the standard course of structural changes have more or less persisted. This is true for Czechoslovakia as well.

Table 1. Actual (S) and Typical (T) Percentage of Value Added by Industry and Services to CSSR GDP (in percent)

	Industry			Services		
	S	T	S-T	S	T	S-T
1965	58	40	+18	32	49	-17
1979	71	39	+32	18	52	-34
1985	53	33	+20	38	63	-25

Source: Jan Winiecki: "The Distorted World of Soviet-Type Economies," London, 1988. Calculation of typical magnitudes based on regression analyses and data from the International Bank for Reconstruction and Development [IBRD] and the United Nations [OSN].

Actual figures for 1985 are based on data from the Federal Statistical Office [FSU], and physical amounts are an average from selected developed capitalist countries [VKZ]. Data are not fully comparable with data from previous years. See note in Table 2.

The data in Table 1 is expressed as value indicators, which can be distorted as a result of price movements. For this reason any judgements about structural deformations in the Czechoslovak economy should be further verified by looking at employment data.

Table 2. Actual (S) and Typical (T) Percent of Total CSSR Employment Accounted for by Employment in Agriculture, Industry, and Services

	Agriculture			Industry			Services		
	S	T	S-T	S	T	S-T	S	T	S-T
1965	21	21	0	46	36	+10	31	43	-12
1979	11	15	-4	48	35	+13	41	48	-7
1985	12.5	6	+6	47	32	+15	40	62	-22

Source: See Table 1. Numbers for 1985 are calculations made by the CSAV Projections Office and are not fully comparable with calculations for previous years (different country models, different calculation methods, different data). However, the order of magnitude and the trends indicated by the 1985 figures are consistent with those from previous years. Typical values for 1985 were calculated as an average for selected European capitalist countries that are approximately 30-40 percent more advanced than the CSSR.

Czechoslovak economic growth, in other words, has been characterized by a deformed structural profile at the sectoral level in relation to the typical structural profile, and by the movement of this profile during economic growth and development, which is based on market rationality. Specifically, the industrial and agricultural production sectors account for an excessively high percentage of the output of the Czechoslovak production structure, while services account for an excessively low percentage in relation to the achieved level of economic development. This fundamental deformation has at best remained steady over time, if it has not worsened. The excessive weight of industry in the Czechoslovak economy can be shown by a table that compares the percentage of selected overall resources allocated to the industrial sector in Czechoslovakia and the percentage of these same resources allocated to industry in developed capitalist countries.

Table 3. Industrial Share of Production Resources and GDP Formation in the 1980's (in percent)

	CSSR	VKZ Average
Employment	38	25
Energy	59	37
Investment	35	24
Imports	87*	40
GDP Formation	37	28

* Based on 1982 Interbranch Relations Balance. Not fully comparable with data for VKZ.

Source: CSAV Projections Office Calculations (see Aggregate Projections).

Table 4. Heavy Industry (Including Heavy Engineering) as Percentage of GDP and of Selected Resources (in percent)

	CSSR	Average for Selected VKZ*
Percent of total capital investment**	24	10
Percent of total employment	18	9
Percent of total GDP	20	12

* Includes large VKZ as well. The results would be worse for the CSSR if the comparison were made with only smaller VKZ.

** Investment in agriculture not included.

Note: If we attempted to estimate the percentage of total GDP accounted for by heavy and light industry using comparable valuations of production factor prices, we could justifiably assume that the share of GDP accounted for in the CSSR by heavy industry would increase.

Source: CSAV Projections Office Calculations (Aggregate Projections).

This distorted structural profile of the economy and its persistence over time does not stop at the sectoral level, but continues well within the production and industrial sectors. In other words, sectoral level deformations are accompanied and to some extent reflect the hypertrophy of heavy industry within the economy, i.e., within the industrial sector, and the accompanying relatively lesser importance of the light industrial branch.

If we go, however, to another level of detail we notice smaller deformations in the production structure of the economy. Above all, one notes the very high employment in the extraction branches (consistently higher than employment in selected VKZ [Belgium, Finland, France, Norway, Sweden, Great Britain, FRG, USA, and Italy] in these sectors by a factor of 2-3), and the high weight in the Czechoslovak industrial structure, again measured in terms of relative employment, of the vitally important engineering industry. The relative dimensions of engineering (including electronics) in the Czechoslovak economy far exceeds the scope typical for comparable economies. For instance, it is 50 percent higher than in Austria and Sweden, with the gap tending to increase over time, and some 100 percent greater than in Belgium and the Netherlands. Similar relationships also often exist with larger developed capitalist countries like France, the USA, etc.

These calculations were made based on statistics from the Organization for Economic Cooperation and Development [OECD], the International Labor Organization [ILO], and CSSR Statistical Yearbooks. The data is not absolutely comparable, but the differences in magnitude cannot be explained by differences in statistical methodologies.

At a still greater level of detail, such as the structure of specific businesses, one finds a high percentage of conventional, materials and energy intensive products in the Czechoslovak production structure, and a relatively low percentage of technological and high tech businesses whose output and growth depends on innovation, flexibility, and quality.

The most important consequence of this structurally deformed profile of the Czechoslovak production structure and the distorted progress of structural change as GDP has increased has been a profoundly inefficient allocation of resources. This means that to achieve the same level of per capita GDP as a comparable market based economy Czechoslovakia has to expend many more traditional resources, i.e., capital, labor, raw materials, energy, etc.

However, given the current structure, the level of GDP we have achieved is terribly demanding, both ecologically and in terms of transportation. Moreover, it is not correlated with the level of well-being. This is because it reflects more the volume of resources mobilized (production for the sake of production) in a given year than the use to which those resources are put. In addition, the quality of what the economy produces is, to put it mildly, unsatisfactory especially regarding conventional items consumed by individuals and the society. This makes the sociopolitical costs of economic growth unsustainable over the long term.

The relatively low efficiency of the economy as currently structured can be demonstrated by citing a number of well known and less well known realities. International comparisons show that the value of capital assets per capita in the Czechoslovak economy (roughly estimated in US dollars) had by the 1970's not only exceeded comparable figures for smaller VKZ but was approximately the same as the that for large VKZ with a much higher per capita GDP. See Table 5.

Table 5. Capital Assets per Capita in the Mid-1980's (USA=100)

CSSR	USA	FRG	France	Japan	Spain	Hungary
90	100	84	88	95.2	49	71

Source: CSSR figures are estimates of author; figures for other countries were taken from an article by A. Bergson: "Comparative Productivity: The USSR, Eastern Europe, and the West." American Economic Review, No. 77, 1987.

To produce the current level of aggregate product the CSSR employs roughly 7.65 million workers. With an average work week of 42.5 hours, this means that the average worker is on the job 940-950 hours per year. This means that the CSSR produces its GDP, taking into account inaccuracies, with an extremely high labor input. The aggregate product of Austria is some 20-30 percent higher than that of the CSSR and is produced with an average per capita work year of 700 hours. In Finland, an aggregate product approximately the size of Austria's is produced with a per capita work year of

roughly 850 hours. These data place Czechoslovak hourly labor productivity at about 50 percent of that of Austria and 60 percent of that of Finland. This same ratio holds true with regard to practically all comparable developed capitalist countries.

The available labor force in the CSSR, in contrast to economies at a comparable level of development, is allocated mainly to material production sectors, mainly in industry. As a result the tertiary sector is smaller than in comparable economies. See Table 6.

Table 6. Employment Structure in CSSR and in Selected VKZ in 1985 (in percent)

	CSSR	VKZ	CSSR-VKZ
Agriculture and forestry	12.5	6.0	+6.5
Fuel and power	3.0	1.3	+1.7
Metallurgy	2.9	1.4	+1.5
Chemistry	2.2	2.2	0
Electrical engineering	2.1	2.4	-0.3
Engineering and metalworking industry	13.0	7.8	+5.2
Construction materials industry	1.4	0.8	+0.6
Light industry	9.9	6.4	+3.5
Food industry	2.8	2.8	0
Construction	8.7	7.0	+1.7
Transportation and communications	6.6	6.6	0
Other	34.9	55.3	-25.4
Total	100	100	

Source: Calculations—CSAV Projections Office based on comparable national statistical data.

The deformed structural profile of the Czechoslovak economy makes its mark in a comparatively much higher level of production consumption and individual material intensiveness per capita.

Model calculations based on structural balances developed by the United Nations in the 1970's indicate that production consumption in the CSSR accounts for some 55 percent of national product, while in comparable VKZ the figure fluctuates in the 35-to-40-percent range.

Similarly, the occupational structure of the Czechoslovak economy deviates from the model. This is primarily due to contradictory trends in the evolution of professions in the past. In 1980, blue collar occupations accounted for about 42 percent of the occupations in industry, construction, and transportation. In the USA, blue collar occupations accounted for 35 percent of all occupations in these sectors in 1960, and by 1985 for only 29 percent. White collar jobs account for a very small share of all occupations in the Czechoslovak economy. This is particularly true of highly skilled managers involved in running various aspects of the capital replacement process, including services.

One of the manifestations of the inefficiencies of the current economic structure that we have been aware of for some time is the raw materials, energy, transportation, and ecological intensiveness of each unit of GDP. These figures are much higher than in comparable economies, and over time the discrepancies have been increasing. See Table 7.

Table 7. Selected Per Capita Indicators of Relative Material, Energy, Transportation, and Ecological Intensiveness in the CSSR (Average of Comparable VKZ=1)

	1975	1985
Primary energy consumption	1.4	1.8
Raw steel production	2.5	2.5
Cement production	1.7	1.6
Freight railway transportation (in ton/kilometers)	—	4.2
Sulfur dioxide emissions	Approximately —	4.5

Source: CSAV Projections Office Calculations based on data in various editions of Indicators of Foreign Economic Development, published by the Institute for Technical and Economic Information [UTEIN]. Calculations of sulfur dioxide emissions based on West German sources.

These indicators also provide an aggregate expression of the distortions of this structural profile. In addition, at the present time two other characteristics are evident. Our economy has an obsolete capital base. There are also systemic irrationalities, i.e., irrational national economic planning criteria that enterprises follow very rationally. Over time the above mentioned shortcomings can be seen to be closely linked to our growth strategies in the postwar years.

Specific aspects of the current developmental stage of the Czechoslovak economy, when compared with the existing standard for developed capitalist countries,

highlight the above mentioned structural characteristics and their impact in the relatively low efficiency of our economy. Specifically, we have an overindustrialized economy in which basic industries and businesses predominate. These include power generation, metallurgy, heavy engineering, bulk chemicals, traditional consumer durables, etc. A look at selected, mainly physical microeconomic indicators of the production profile of the economy confirms and drives home the predominance of the above sectors. For example, based on a sampling of per capita production of selected products (steel, coal, electricity, cement, plastics cotton fabric, footwear, meat, flour, wool fabrics, newspaper, sulfuric acid, beer, industrial gas, electronic components), Czechoslovakia is frequently found in first or second position worldwide. This is a highly exceptional phenomenon when compared to similar and not so similar (i.e., larger) nonsocialist countries. It is also significant that Czechoslovakia maintains its primary position in the production of traditional, heavy products, and standardized products, but lags far behind in the production of technically and qualitatively more sophisticated products (such as electronic components). This is an additional item of proof (and one of the consequences) of the inertia that remains from the development strategy of the 1950's.

All socialist countries, both large (the USSR) and small (Hungary) are characterized by similarly distorted production structure profiles and deformed processes of structural change in the process of economic growth. It is therefore necessary to establish a causal link between these deformations, and the resultant relatively lower efficiency of these economies, their relatively lower standard of living, welfare, etc., and the systemic characteristics of these economies. Primary among these characteristics is the mainly autarkic developmental strategies employed by socialist countries.

The CSSR also engaged in long term, rigid application of growth strategies derived from the experiences of economies of completely different scale (the USSR in prewar years). This led to a type of growth that "consumed itself" (production for production), with less and less being allocated to increasing the well being of the general public. With this structural profile the Czechoslovak economy will not be able to grow, because it will come up against firm, mutual barriers made up of a mixture of investments, ecology, materials, etc. Restarting economic growth, therefore will require us to depart from the current growth strategy and the system of central planning that has "assured it", because it will be impossible to restructure the economy and establish an environment of basic flexibility without doing so.

There are two basic, interrelated, and essential aspects of the restructuring, i.e., structural "normalization" of the Czechoslovak economy. One is the full implementation of market reforms. The second is the full opening of the entire economic system to the world, especially to developed capitalist economies. More concretely, this means

fully liberalizing foreign trade, an objective inseparable from the foreign trade monopoly, administrative central planning, and so forth.

Restoration of Some Private Enterprise, Problems Viewed

24000171a Prague ZAPISNIK in Czech
No 15, 1989 pp 10-11

[Interview with Allan Gintel, candidate for doctor of science, manager of the Institute of Modern Stock Company Management, affiliated with the Computerization and Computer Technology Plants [ZAVT]: "A Sign: I Have Permission"; date and place not given]

[Text] Are we vacillating from one extreme to another? In the 1950's we indiscriminately swept from the Czech world all existing and prosperous private firms, as relics of capitalism, so we could revive the small entrepreneur by the end of the century. Is a self-employed hairdresser a symbol of progress or of regression? I asked Allan Gintel, Ph.D. candidate for doctor of science, and Manager of the Institute for Modern Stock Company Management affiliated with ZAVT, for his opinions on these questions.

[Gintel] "The therapeutic impact of the process generally referred to as restructuring has again awakened in people an urge to take business risks. It has torn our people out of a certain lethargy. Now we are asking ourselves, among other things, if we really had to restructure our entire economy for large scale production, cooperatives, and communal enterprise, I would like to remind readers that in neighboring socialist countries there was not as much haste in tearing down private enterprise, and I think this is to their advantage today. It is certain that they are not dealing with nearly as catastrophic a situation in the service sector as we are. There is a simple explanation. Is it worth the while of a gigantic enterprise or cooperative to employ a tradesman in a highly specialized field? Of course not. This does not mean, however, that people have stopped needing the services of this repairman. Rather, the demand for specialized services has become stronger and is now out of control, because no one is able to meet it. I am convinced that some forms of individual activity should never be forbidden, whether it be running a tavern or repairing shoes. I am not being original when I say that we threw out the baby with the bath water. This example precisely defines our situation. Unfortunately."

[ZAPISNIK] The public has differing attitudes to entrepreneurs. Opponents cite the classics of Marxism-Leninism and assert that we are on the best path for undermining the pillars of socialism.

[Gintel] "You won't read in any work of Marx, Engels, or Lenin that a self-employed cabinet maker, barber, or tailor will give rise to capitalism. This type of general invocation of the founders of Marxist teachings is a disturbing kind of pseudoargumentation. Citing some fictional definition of Lenin without knowing any of his

true ideas, views, and analyses of society is at once very simplified and quite dangerous. Entrepreneurship and exploitation are completely different concepts. There is also a huge difference between one person owning a clockmaking workshop and the Ceskomoravska Kolben-Danek [CKD] enterprise. There is no way that a national committee can or will overthrow society by granting a permit to someone to open a small business. The idea that anyone who does not have a time clock in the front hall is an enemy and new age money grubber, is ridiculous. Millionaires come from other environments, and fortunes are made in other ways."

"In the history of our republic it has not been exceptional to have small businessmen who employ at most themselves and their family members. When such businesses have been permitted the production of goods and services for the general public has been at an acceptable level. Then we changed everything into cooperatives and state enterprises and the relationship between supply and demand got out of synch. We have no other modern experiences, so I see no reason not to return to practices that served us well. Why should we continue to experiment at whatever cost and further weaken the economy of our country? In the final analysis it is disingenuous to claim that someone can get by without private enterprise. Prior to the promulgation of the law allowing such activities there was a private sector nevertheless. We just closed our eyes to its existence and refused to acknowledge the existence of its strong roots in our past."

[ZAPISNIK] What do you have in mind when you state that private enterprise was never completely eliminated in this country?

[Gintel] "What is moonlighting? It is private enterprise within the socialist sector, citizen self-help if you will. Of course it is a negative phenomenon but I doubt seriously that anyone would succeed in stamping it out entirely. It was in the interest of the society to legalize these forms of endeavor in order to stop the stealing from customers."

"Where else can we put so-called free occupations, if not under the heading of private enterprise. I have in mind here artists, writers, and painters. No one, of course, will suggest that academicians get together in a cooperative and work with their stone and clay from seven in the morning to three in the afternoon. These people still create valuable works of art and the lack of an employer stamp in their internal passport doesn't bother us. Why should a lack of this stamp bother us in the case of growers and sellers of flowers? What if the smell and beauty of their flowers fulfills the same role for them as a collection of verse does for a poet? Or a firm that produces and markets medicinal herbs. Such a firm is usually dependent on private individuals. It would be very difficult to organize cooperatives on a seasonal basis and conduct a nationwide harvest of nettles or linden flowers. The same is true of snail gatherers. Some professions simply require an individual style of work.

Why in these cases should we put other human activities at a disadvantage by placing the imprimatur of the production hall on them?"

"A much greater threat to socialism is egalitarianism in all its forms. Identical salaries, work conditions, employers. We should not be judging where and how each individual works, but rather whether each person is engaged in a worthwhile activity that does not harm his fellow citizens."

[ZAPISNIK] So you do not think that fears that free enterprise will turn into a chaotic race for profits are justified?

[Gintel] "I think they are not justified. We are interested, after all, in the best possible use of every worker. This requirement is met when a tradesman is his own supplier, director, foreman, and salesman. On many occasions people in large organizations lack true motivation. They do not perceive a reason for their efforts and begin to doubt if anyone gains any advantage from their work. The fact that there was no impact on production, or it increased, when general directorates were abolished demonstrates the correctness of those who maintained that there had been an unnecessary increase in office employees."

"As an institution of popular power, the socialist state can fully regulate private enterprise. One of the best ways to do this is through the tax system. I must admit, however, that the current system does not provide many incentives for small businessmen to increase their output. We need to modify the tax code to benefit self-employed individuals, without of course having the state come out short. The national economy can be viewed as a playing field run by the state. Every entity that wants to play on this field has to pay the state a certain percentage of the profits from matches that it wins. Of course it is not that simple. Someone has to decide who, when, under what conditions, a match will take place on that playing field."

[ZAPISNIK] Don't you think that granting permission for self-employment is only a temporary and provisional resolution of the problem of shortages of goods and services?

[Gintel] "The verdict as to whether this is a temporary or permanent matter has not yet been pronounced. Actually it cannot even be formulated theoretically. Only time and the level of social satisfaction have the right to support or undermine something. It really is a question of development, whether the ranks of the self-employed will grow or go into decline. Still I would suggest that we not engage in too much artificial coordination of the mix of private enterprise activities. Why shouldn't we allow four private individuals to bake doughnuts in one town? Over time only the best ones will be successful and the others will have to find other lines of work."

[ZAPISNIK] Czechs have been said to be naturally entrepreneurial. Do you view their motivation only as monetary profits?

[Gintel] "It is precisely in the area of internal motivation that I would look for what is socialist and what is not. Relatively speaking, one can divide the motivations of applicants to national committees for permission to engage in private enterprise into several groups. Those interested in their own success and in profits are in the minority. The most common motivation, in my view, is an attempt to apply personal skills, achieve self-realization by doing so, and at the same time make some money. We should not leave out, however, adventurers who are just testing fate and searching for something to apply themselves to. It is great to listen to this type of person as they describe their grandiose plans, but implementation is another matter. These Hrabal type characters are this way naturally, so we shouldn't think ill of them. People who flirt with the law are another group entirely. These are the "moneychangers" who exploit the poor supply situation and invest strictly so they can fill up their own wallets."

[ZAPISNIK] Does everyone who is good with his hands have a chance to be successful?

[Gintel] "Professional talent and ability is the basis. But this is far from enough. The entrepreneur must be blessed with talent, vitality, and a generous measure of creativity. People either have these qualities or they don't. You don't learn these skills in any school. People who are used to working under the direction of others aren't successful in these undertakings either. Intuition, a specific type of intelligence, is also important. This is what is referred to as the entrepreneurial spirit. What anyone can do is to be unsuccessful as an entrepreneur."

"The overall climate in a society has a lot to do with the prosperity of self-employed individuals. Current propaganda seems too one sided to me. Few people are arguing in favor of small private enterprise that has the potential for improving the market situation. We have still not been able to tear down the barrier of public mistrust. These doubts clearly come from their own experiences and feelings. Many feel, "I don't have to work too hard at my job, I get a good salary, I can steal a little and get something on the side." Put simply, people are saying I judge you based on my own behavior."

[ZAPISNIK] Existing state enterprises are not exactly pleased by the existence of competitors. These competitors are much smaller, to be sure, but are still disrupting their former monopoly position.

[Gintel] "The first reaction of some firms has been quite natural, eliminate the rival. Once they get beyond the emotional stage even the plants might come to appreciate the self-employed tradesmen as they take on more and more of the service for the products of the larger firms. The ever growing needs of the population leaves enough room for both sides, so why should one try to "sink" the other. It makes more sense to work together to

create new products, expand product availability, and improve the overall quality of all operations."

[ZAPISNIK] You clearly are a passionate advocate of private enterprise.

[Gintel] "I am in favor of anything that does not fetter the initiative of people. As long as entrepreneurship goes along a creative direction that benefits socialist society it is criminal to put obstacles in its path, whatever the reason. If small businesses run by the self-employed prove themselves, then why oppose them for conservative and illogical reasons."

Retention of Inefficient Positions Causing Labor Shortages

24000171b Prague DOKUMENTACNI PREHLED in Czech No 15, 1989 pp 7-9

[Article: "Shift Work in Czechoslovak Industry"]

[Text] One of the requirements for greater economic efficiency is to increase the amount of time that capital equipment, mainly machinery and equipment, operates. In Czechoslovak industry mechanical machinery operates for an average of only 7.2 hours daily, partially automated machinery for an average of 8.2 hours, and fully automated machinery 11.5 hours. This extremely inefficient use of capital assets is caused by a low level of blue-collar shift work. The blue-collar shift work coefficient in industry (the ratio of total time worked in all three shifts to the time worked on the main, usually the first shift) reached a value in 1986 of 1.330, which ranks the CSSR in one of the lowest places within the CEMA.

The blue-collar shift work coefficient reached its highest level in our country in 1962, at 1.409. In the following 16 years the coefficient declined every year, despite numerous resolutions mandating its increase, to a level of 1.319 in 1978. Only CSSR Government resolution No 146, dated 26 May 1977, concerning the more efficient use of capital assets by turning around the decline in shift work, brought some results. In 1979 the shift work coefficient began to increase slowly, reaching the level of 1.330 in 1983. It remained unchanged at this level until 1986. Figures from the first half of 1987 indicated that there had been no significant change.

Guidelines of the 16th CPCZ Congress mandated that during the Seventh 5-Year Plan increases in the work force were to be allocated to improve shift work, i.e., for work on the second and third shifts. We were unable to fulfill this mandate, as the unchanged shift work coefficient of 1985 indicates (1.330). If we had been able to apply even one percent of the increased work force to second and third shift work, the shift work coefficient for 1985 would have increased by 0.018, to 1.342.

The evolution of the shift work coefficient differs from enterprise to enterprise, and from sector to sector. Between 1980 and 1986 the blue-collar shift work coefficient in industry increased in 13 planning groups (out

of 25), affecting 48.1 percent of the blue-collar workers in industry. The greatest increase was in planning groups of the electrotechnical industry (a 0.027 increase), the glass industry, general engineering, and interior ministry transportation organizations (all of which increased by 0.022). This means that between 1980 and 1986 blue-collar shift work declined in the remaining 12 industrial planning groups (covering 545 enterprises, i.e., 65.1 percent of the total). The greatest decline was in food industry enterprises run by regional national committees (decline of 0.060), the construction materials industry and clothing industry (decline of 0.032), the cellulose and paper industry (decline of 0.031), and railway industrial production (decline of 0.030).

The highest blue-collar shift work coefficients in industry continue to be recorded in coal mining (1.662 in 1986), ferrous metallurgy (1.563), the rubber-asbestos industry (1.495), and the cellulose and paper industry (1.451). In contrast the lowest blue-collar shift work coefficient values were recorded in the printing industry (1.210 in 1986), railway industrial production (1.189), gas production (1.115), and Czechoslovak Automobile Repair Shops [CSAO] (1.027).

The blue-collar shift work coefficient at machinery workstations in industry has displayed a fluctuating, but growing trend. It has risen from 1.502 in 1980, to 1.512 in 1983 and then to 1.516 in 1986. In the first half of 1987 it reached 1.524. Blue-collar shift work at machine workstations improved in 15 of the 25 industrial planning groups between 1980 and 1986.

The blue-collar shift work coefficient at manual workstations in industry increased from 1.224 in 1980 to 1.227 in 1983, then declined gradually to 1.222 in 1986.

There are also differences in shift work coefficient among specific regions and republics. Overall blue-collar shift work in industry increased moderately between 1981 and 1983 in both the CSR and the SSR. Since 1983 this coefficient has remained steady in the CSR and declined somewhat in the SSR. Blue-collar shift work at machinery workstations increased moderately in both the CSR and the SSR beginning in 1980, but the increases have been confined to five of the 12 regions (North Moravian, Central Slovakian, West Slovakian, North Bohemian, and South Bohemian).

The blue-collar shift work coefficient has continually been higher in the SSR (1.413 in 1986) than in the CSR (1.300 in 1986). The coefficient is highest in the East Slovakian region (1.482), and lowest in Prague (1.153).

In 1986 not quite 25 percent of all blue-collar workers worked on the second and third shifts. The figures for each shift were as follows: 75.2 percent of all blue-collar workers worked on the first shift, 18.6 percent worked on the second shift, and 6.2 percent worked on the third shift.

Reasons for This Situation

The main reason for the low and stagnant level of shift work in Czechoslovak industry is the persistence of extensive elements in capital asset replacement. This is evident in a more rapid growth in job opportunities than in the number of blue-collar workers. The creation of job opportunities through new capital construction is not being accompanied by the requisite closing down of inefficient production facilities. The shortage of workers for the second and third shifts (in 1985 649,000 jobs remained unfilled on the second and third shifts, while 92,000 remained unfilled on the first shift) is, in other words, being caused by excess capital assets.

Other causes include the high percentage of women in the work force. Women tend not to work in shift operations because of family responsibilities. Also, transportation to work is poor for those working the second and third shifts, and operating hours for services (shops, public eating places, health care, preschools, and recreational facilities) do not meet their needs. Finally, there are shortcomings in the organization of production on these shifts, problems with supplier-customer relations, etc.

Note: Data in this article are from the Federal Statistical Office.

POLAND

Basic Flaws in Polish-Soviet Economic Coordination Noted

26000685b Warsaw RYNEK ZAGRANICZNE in Polish No 91, 1 Aug 89 p 4

[Article: "Poland-USSR: On the Threshold of the 5-Year Period"]

[Text] Although the Polish-Soviet multiyear agreement still has more than a year and a half to go, even now we can assess the possibilities of its being carried out. Such a balance sheet is the basis for the work now beginning on coordinating the two countries' 5-year plans. Soviet experts V. Shklarov, A. Komisarov, and V. Kakarinov discussed the status and long-range prospects for the development of wide-ranging Polish-Soviet economic cooperation in the most recent issue of the monthly magazine VNESHNIAYA TORGOVLA.

The projection is that mutual trade during the present 5-year period will run around 68 billion rubles in current prices, which is less than called for in the multiyear agreement. V. Shklarov considers the main cause for the failure to reach the planned value of exchange to be the decline in the price of crude oil and other energy products, although the volume of Soviet deliveries remains the same.

There have been no major shifts in the commodity structure of trade during this 5-year period. As before, fuels and raw materials hold the major position in Soviet

deliveries (at 67 percent), but machinery is the largest item among imports from Poland (45 percent).

In economic relations the main problem is the debt, which goes back to the beginning of the 1980's. In 1988, the balance of mutual trade showed the USSR to be in the black, but in connection with the decline in prices of basic fuel raw materials, by 1990, the Polish-Soviet balance of turnovers may shift and put the USSR in the red. In this connection the Polish side has agreed to review the possibility of repaying ahead of schedule some of the Soviet credit obtained, according to V. Shklarov.

Future development of commercial and economic relations will depend on a basic restructuring of deliveries and a decisive expansion and deepening of specialization and cooperative production. The latter has not yet become a stimulus for economic cooperation and has no major influence in helping to improve the structure of turnovers. This fact also applies to mutual deliveries of machinery and equipment, only about 5 percent of which consist of goods cooperatively produced.

V. Shklarov considers the major reason for the weak development of this production between Poland and the USSR to be the fact that the mechanism of economic ties is faulty, especially that of the price-setting methodology. These difficulties are made worse by the Polish producers' desire for continual price increases on cooperative production vis-a-vis the world level.

The exchange rates used in Poland also have an adverse influence and fail to encourage exports to the Soviet market. In many instances the existing exchange rates between the Polish zloty and the Soviet ruble incline producers to sell more on the domestic market than to the USSR.

Another important factor which hampers cooperative production is the inadequate typification, unification, and standardization of finished products, and spare parts and subassemblies. This forces parallel production of goods of similar types. The difficulties which both countries have with the supply of technical materials also interfere with cooperative production.

The coordination of plans for the upcoming 5-year period will be aimed at eliminating these barriers. Agreed upon measures should insure that up to 15 percent of turnovers will consist of deliveries of items produced under cooperative production arrangements. Such work could encompass the functioning of branch working groups, with the industrial associations and enterprises participating to the greatest possible extent. Programs for unification, typification, and standardization in the realm of electronics and engineering industry should be developed and agreed upon, along with proposals for joint production of new types of machinery and equipment using standardized technical documentation or joint purchases of licensing and know-know.

Many Polish hopes are pinned on the development of new forms of economic cooperation. About 350 pairs of enterprises, scientific institutions, and other organizations are engaged in direct relationships at the present time, but for the moment direct cooperation has not become the basis for integration processes, which are an important factor in the development of cooperative production and mutual trade. The exchanges of production experience, technical documentation, and new production models undertaken within the framework of direct contacts are not always put to practical use. Plans for cooperation between enterprises and organizations are frequently unrelated to the tasks specified in the CEMA bilateral program for scientific and technical progress.

Activity related to creating joint enterprises has become somewhat revitalized. A joint enterprise of household chemicals and cosmetics is already in operation in Krakow. In 1988 it supplied production worth more than 70 million rubles. Five more joint enterprises have been approved, and there are ten more installations on the drawing boards, in the tool, electronics, and chemical fertilizer industries, in light industry and food, and in tourism.

The establishment of direct relationships between enterprises and institutions and the creation of joint ventures run into grave problems related to the differences in the two countries' financing mechanisms and price-setting systems, but measures to improve the mechanism of cooperation and to bring the instruments of economic administration closer together are being jointly developed and implemented.

Principles have already been developed for setting conventional prices in settlements conducted under the auspices of the new forms of cooperation and for arriving at an estimate of the means of production and natural resources for setting up and operating joint enterprises. Agreement has been reached on the conditions for supplying technical materials and on cooperation concerning information services for new forms of integrated relationships. Further bilateral agreements cover the creation of a Soviet-Polish financial society called Sowpolinvest [Sovpolinvest], and there is already a Polish-Soviet Chamber of Trade and Industry.

A number of key problems remain to be resolved. There is the question of establishing the rates of exchange and convertibility of national currencies, as well as agreeing on a system for setting prices. V. Shklarov says that, as everyone knows, all CEMA countries have different conversion rates between the dollar and the transfer ruble. Poles estimate the dollar rate for transfer rubles to be 3.5 times the rate used by the CEMA International Bank. This inclines Polish producers and exporters to raise contract prices. In many instances exports to the Soviet Union become unprofitable, because the Polish enterprise is more interested in exporting to the West than to the USSR.

A Polish-Soviet agreement signed this past January provided for introducing national currencies in settlements of accounts for new forms of cooperation. It allowed enterprises with direct relationships to settle accounts with one another in rubles in circulation and in zlotys, as well as in transfer rubles. Unlike similar agreements with other countries, this agreement expanded the sphere of application of the zloty and the ruble. These currencies are also applicable in settlements under the auspices of exchange between domestic trade organizations and for other sales and purchases on the domestic market. The agreement is to be valid until the end of this year. After the effectiveness of this type of settlements has been assessed, a decision will be made about extending it.

Further mutual agreements concern the desire for the gradual creation of a unified market of CEMA countries. Both countries agreed on organizational and economic conditions for mutual access by enterprises and organizations to buy and sell products designated for supply purposes. Soviet organizations and enterprises can sell Polish buyers equipment and materials subject to the central distribution system, provided they are produced in quantities exceeding government orders and covered by domestic orders. This provision also applies to production which has been sent to wholesale trade after the enterprise has carried out its domestic obligations or which is at the enterprise's disposal following a change in production plans.

In such transactions the prices are established by the partners. They should be favorable to both sides and also take into account the level of world prices for corresponding or similar production.

Settlements for transactions which enterprises of the two countries enter into on the domestic market of one of the partners are made in transfer rubles. Intergovernmental and interbank agreements on bilateral settlements under the auspices of direct relationships also provide for using the national currencies of Poland and the USSR.

The inclusion of various branches of industry in the border regions of Lithuania, the Ukraine, and Byelorussia, as well as the Kaliningrad district, should be a help in readying cooperation mechanisms with Polish enterprises during the initial state (from now till the end of 1990).

The Soviet authors point out the success of the direct transactions which the domestic trade organizations have undertaken. Department stores, wholesale bases, and food cooperative organizations in the two countries have so far entered into about 230 agreements on direct trade of commodities. In 1987 the value of mutual deliveries totaled 86 million rubles, but last year the figure swelled to 300 million rubles. The Polish organizations are mainly interested in household appliances, implements, and metal cookware. The Soviet organizations are looking for knitwear, footwear, cosmetics, and food products.

Export Figures in First, Second Payments Zones Reported

26000685a Warsaw RYNKI ZAGRANICZNE in Polish No 74, 22 Jun 89 p 2

[Article by Tekielski: "Our Foreign Exchange at the End of Five Months: Recession"]

[Text] In May, our foreign exchange turnover, in constant prices, was lower than a year ago, because exports increased by 2.9 percent, but imports declined by 7.5 percent. This means that the recessionary trends in foreign exchange are becoming firmer.

At the end of 5 months, export increased 2.7 percent, the same as a month ago. On the other hand, the value of imports, which from January to April had been only insignificantly less than a year ago (0.3 percent), dropped by 1.9 percent compared to the January-May period in 1988.

Despite the stagnation in turnovers, after 5 months the export growth rate (2.7 percent) exceeded the dynamics of industrial production, which was 1.6 percent, following a 4.4-percent manufacturing decline in May, but this evenness at the bottom is no cause for joy. Trends in foreign trade differ considerably between the first and second payments zones.

Zone I Decline

In ruble turnovers where was a further decline in the export rate in May to 1.5 percent, along with a minor rise in export prices of 0.1 percent, calculated in rubles. At the same time the import decline worsened to 10.3 percent, with the ruble import price decline contributing to 1.9, and the rest reflecting the reduced amounts of export deliveries.

At the end of 5 months exports had reached a value of 4.313 billion rubles and exports, 3.814 billion. In May the positive balance of payments of 499 million rubles increased by more than 200 million rubles. The previous year at this time there was a deficit in the balance of payments amounting to 4 million rubles. The terms of trade are still favorable: 102 compared to 102.7 the month before.

Delays in implementing the turnover plan as time passes are rather considerable, amounting to 189 million rubles for exports and 740 million for imports. These figures correspond to the value of exports over a period of 2 weeks and imports over a period of 3 weeks.

It is only the rise in the favorable balance of turnovers that is running way ahead of schedule, in that balance of 600 million rubles planned for the end of the year will be reached in just 1 month.

Turnovers With the USSR

There is still a greater imbalance in exports and imports in trade with the Soviet Union than in turnovers with the

whole First Payments Zone. Exports to the USSR have been consistently increasing over the past 2 years, but since July of last year imports have been declining. At the end of the first 5 months of this year exports were 2.9 percent greater than a year ago, totalling 2.622 billion rubles, while imports declined 15 percent to 2.059 billion rubles. By the end of May the surplus had reached 574 million rubles.

Increase in Second Payments Zone

Turnover growth indexes calculated in dollars at current prices are quite respectable, 9.5 percent for exports and 10.7 for imports, but about half of this is the result of price increases, which amounted to 5.3 percent for exports and 5 percent for imports. Terms of trade improved, reaching balance at 100.3 for the first time this year.

At the end of 5 months we had exported goods worth \$3.362 billion and imported \$2.944 billion, but we were \$418 million in the black, with \$18 million more than a year ago.

The adverse trend for free currency exports continued. They were less (+5.2 percent) than other transactions, that is barter and clearing of accounts (+27.8 percent). Imports, on the other hand, showed rapid growth in terms of free currency transactions (+18.3 percent), while the rest showed a decline of 15 percent.

In these turnovers too the actual figures fell quite short of planned targets. At the end of May exports amounted to \$406 million and imports, \$327 million. This corresponds more or less to the value of trade for a period of 2 weeks. According to the plan, the positive trade balance should increase by \$100 million per month, but by the end of May we noted a shortfall of \$82 million.

Delays in accomplishing the projected trade surplus in turnovers with the second payments zone stem largely from substantial food imports, which increased by 44 percent between January and May. Despite quite respectable export growth (10.6 percent), these turnovers showed a deficit of \$104 million at the end of 5 months, compared to \$62 million the year before.

Imports of supplies from both payments zones is going far more slowly than planned. Investment imports from the second payments zone are falling far behind those planned, but market imports from this area have continued to accelerate.

The consequences of these trends are disturbing. Forced defense of the market is occurring at the cost of supplies for the economy's production sector, and the results are already noticeable in the form of a decline in industrial production.

Steel: Quality Questioned; Place in World Market Threatened

26000684 Warsaw RYNNI ZAGRANICZNE in Polish
No 76, 27 Jun 89 p 8

[Article by Halina Binczak: "The Steel Mills Are Looking for Money"]

[Text] Large demand and strong prices have been characteristic features of the world steel market for nearly 2 years. The producers and steel mill workers are noting greater revenues. And last year a free market sales increase of more than 40 percent was noted by Stalexport, which is just about the only exporter of steel products originating in Poland.

This is an undoubted success for the enterprises, although everyone knows that customers could be found for more steel goods, if any more were available, because Stalexport only handles surpluses assigned to it under the auspices of the central distribution system. After all, an enterprise is not entirely independent even in handling an export allocation, because it must take into account the international agreements which specify the annual sizes of deliveries to CEMA countries. It may sell for free foreign exchange only what is left over.

Stalexport Is Doing Well

It is clear that the distribution system creates problems in ongoing commercial operations and in planning the directions of future actions. Even given this reality, however, Stalexport has been dealing for many years and is somehow getting along, although it is buying and selling a great deal less than during the "fat" years of the 1970's. Current annual Polish exports of steel goods run around a million tons in transfer rubles and the same on free foreign exchange markets.

Stalexport supplies foreign customers with, among other things, thick section iron, iron reinforcing rods for concrete, wire rods, thick sheet metal, galvanized sheet metal, and railway rails, which are traditional for Stalexport. The Soviet Union is the largest buyer of Polish steel goods, followed by the FRG, China, the GDR, Yugoslavia, Switzerland, Great Britain, and Czechoslovakia, as well as the United States.

Deliveries to the United States face an import quota system, as do exports to the EEC. Most of the American buyers of Polish steel goods are long-term customers whose companies are located on the Great Lakes, permitting direct delivery by Polish ships.

Stalexport also sells its products to the Benelux countries and Scandinavia. Smaller lots are supplied to markets at much greater distance, sometimes even Nepal. Every few years there are large contracts with Brazil for the delivery of railway rails, in connection with the expansion of the local mining industry. Brazil is also one of Stalexport's trade partners in import transactions. The Brazilian firm CVRD supplies ore with a very high iron content, but the

Soviet Union is the largest supplier of ore. Manganese and chromium ores and ferroalloys are imported from the USSR.

Stalexport's import operations are not limited to buying ferrous raw materials and components for steel mill production. It imports steel goods for various sectors of industry. These are usually upgraded products: stainless and tool steel, pipe, cold-rolled strips, and coated steel or electric steel in strips. The ruble value of imports is far greater than our deliveries to these markets. Last year the figures were 624 and 283 million rubles, respectively, and the projection for 1989 is that exports will have a value of 290 million rubles, while imports will total 620 million. The ratios are somewhat different in free market trade. Last year's revenues amounted to \$365 million, while we spent \$398 million on imports.

This year Stalexport expects to increase its revenues to \$400 million (with imports valued at \$380 million), aided by a favorable world market for steel products which has continued up until now. This also applies to construction steel, which makes up a considerable share of Polish exports. The results of the first 3 months of this year, a 4.1 percent increase in ruble sales and an 8.3 percent increase in free foreign exchange sales, permit the observation that the Stalexport's targets for this year are realistic, provided, of course, that there is still something to sell.

Limits and Exchange Rates

Everything therefore depends on the distribution system, which Stalexport director Ryszard Harhala sees to be the major source of foreign currency problems for the metallurgical industry. The metallurgical industry, because Stalexport itself somehow makes its living, if not from exporting steel products, then from importing them. Nonetheless, since the beginning of the year the steel mills are supposed to cover their foreign exchange needs from revenues gained from exports, but the first few months of the year demonstrated that this is impossible given the present framework. There are two causes: events in the forms of the distribution system and inconsistencies of the reform, that is, the exchange rate policy.

There is a grave shortage of steel to meet domestic needs. Moreover, the metallurgical industry is receiving large budget-financed subsidies and is so harmful to the environment that there seems to be at least superficial justification for the view that such costs cannot be incurred just to obtain such a product to sell to others. As a result, export represents 18 percent of metallurgical production, which is far less than in neighboring socialist countries (from 30 to 50 percent) or in Western Europe (about 45 percent). Furthermore, imported goods are barely 9 percent of the steel used in Poland.

The adverse effects of this departure from an international division of labor seem obvious: the inability to keep up with technical progress, the failure to adapt the production structure to world market demand, and the

inflexibility of manufacturing. We are sometimes unable to take advantage of additional possibilities for deliveries to the EEC for the very reason that we cannot quickly produce those very types of steel for which there is demand. The rigid export limits sometimes make it impossible to take advantage of offers from the few plants which have already undergone modernization. The predominant view at Stalexport is that it would be beneficial for metallurgical industry to delay certain deliveries for domestic customers, so that the steel mills could export more, thereby saving up money for modernization.

The economic reforms would seem to create such a possibility. In practice, things are different, according to the Stalexport directors. This can be seen, for example, from the inconsistencies in exchange rate policy. Enterprises in other fields undoubtedly have similar reservations. This year's income from metallurgical firms' free currency exports amount to \$76 million (20 percent deduction), but ongoing needs (raw materials purchases) and the like amount to \$170 million. Thus, the steel mills cannot export, even if they were to find the customers. The limit does not allow it. It is true that they can bargain for the balance, but as the result of the exchange rate differences (the official rate which applies to sales versus the market rate, which applies to purchases), they simply cannot afford to. There is also the need to modernize, which costs a good deal, and, what is more, usually in foreign exchange. Export to the ruble zone cannot be a source of capital for modernization ventures either. Because of the ruble exchange rate, such export is not profitable to producers at the present time. Nor can the metallurgical industry count on domestic customers for financial participation in the process of modernizing the steel industry, because with a very few exceptions these companies do not have a wealth of foreign currency.

Who Will Finance the Restructuring?

This situation places the future of the metallurgical industry and steel exports in question. I think that this is related to the absence of a concept as to this branch's place in the economy. There are several developmental scenarios once we take into account the costliness of metallurgical production and the tremendous ecological harm done by the steel industry. The first is a theoretical one, to close down the steel mills and import all our steel. The second possibility is to eliminate the most harmful and unprofitable plants and to modernize the rest of them, taking the opportunity to change the structure of manufacturing at the same time. The third and final variant is to modernize the metallurgical industry on an ad hoc basis, which means basically to continue the present state of affairs.

It seems obvious that the second scenario is the best one. This is what the "metallurgical" countries of Western Europe have done, and the Hungarians are now following in their footsteps, although it means a temporary or permanent decline in making steel. In practice, owing

largely to the absence of any overall concept of changes in the economy as well as the lack of money, the third scenario is being played out. This means that in a couple of years we can definitively drop out of the world market, because our products will not meet international standards. The developing metallurgical companies in Southeast Asia will then certainly take our place very quickly.

The existing plans to restructure metallurgical industry include, for example, gradually eliminating open-hearth furnaces (which are responsible for about 40 percent of the steel), expanding production in electric furnaces, and popularizing the continuous casting method. These are methods which have already been used for several years or for over a decade in major metallurgical centers around the world. There are also plans to install production lines for various products made out of galvanized sheet metal, tinplate, rods, cold-rolled strips, and steel pipe.

Metallurgical industry is now looking for sources of financing for these projects (and many others). The World Bank could be one such source. Edmund Mangan, head of its metallurgical section, said recently (at the end of May) that the bank was reviewing the possibility of extending aid. The steel industry is trying to interest this institution first of all in participating financially in the construction of galvanized sheet metal production lines (200,000 tons per year) at the Lenin Steel Mill.

Any possible assistance from the World Bank is very uncertain, however, both on account of Poland's great debt and because of the World Bank's general disinclination to commit itself to investments in the steel industry. This reluctance stems from the fact that on a global scale the overall capacities of such plants are close to the demand or even somewhat greater. Hence, the new factories could lead to an excess of steel goods in the world.

Small Steps

The steel mills are therefore pursuing other sources of investment financing, and Stalexport is participating in the search too. One solution would be to attract foreign credit, particularly that of well-known West German metallurgical firms, with which a Katowice enterprise has good, long-term contracts and intends to create production partnerships. One such partnership involving the West German Krupp firm will engage in treating scrap metal. Also under way are negotiations concerning a joint venture with Mannesmann (another West German company) which would be involved in installing continuous casting equipment at the Katowice Steel Mill. A transport company with Austrian capital is in preparation. According to Director Ryszard Harhala, if it had its own vehicles the metallurgical industry could greatly reduce transport costs, particularly since rapid, interventionist imports are often made.

The plans to develop companies with the input of foreign capital are related to the tariff-free zone ratified at the

beginning of June at the Kedzierzyn-Kozle river port. It is right here that a plant to treat scrap metal was located. The Stalexport directors also envision the location of other production and even trade firms there, because the West German Salzgitter trades in textiles, and the best known Japanese steel firms are now engaged not only in electronics but also, for example, in the study of local customs and languages, and the diversification of operations would doubtless be beneficial for our enterprises too.

Stalexport is also considering the possibility of creating partnerships with various steel mills. Furthest along is the project for joint production of ceramic materials. The differentiation of operating spheres calls for more flexible financial policy, which justifies the company's plans to change it from a state enterprise into a holding company, which would undoubtedly function like Agros Holding SA, although these are only ideas.

The Silesia Ecological Foundation created with the participation of Stalexport is another new initiative. It is to support, for example, setting up production of environmental protection equipment. This sort of equipment is being imported. Thus, if large-scale domestic production were feasible, this would be beneficial from both the ecological and financial standpoint.

These undertakings, though valuable, do not insure that the metallurgical industry will accumulate the resources for restructuring, especially the foreign exchange. Nor can it count on the state treasury to increase its outlays, because expenditures for investments in heavy industry are generally considered to be excessive already. The only opportunity then is to make the money for modernization from export, but this would require the rapid elimination of steel import restrictions. It is hard to expect such a decision in the immediate future, but to maintain export limits means delays, and even now the modernization of Polish steel mills is long overdue.

YUGOSLAVIA

Sale of Stocks, Securities Challenges Social Ownership

28000166 Belgrade *EKONOMSKA POLITIKA* in Serbo-Croatian 7 Aug 89 pp 16-18

[Article by Mijat Lakicevic: "Challenge to Social Ownership: Stocks and Securities. A Step at the Turning Point for Yugoslav Society. Reality Has Moved Ahead of the Law Along This Road. A Brief Law—That Is a Virtue. How Ready Are Yugoslavs To Take Risks?"]

[Text] It is simply incredible that the admittedly meager press agency report of 2 weeks ago that the Federal Executive Council had prepared a law on stocks and securities made no impression on the public. It would hardly be advisable to criticize colleagues—although we are directing this criticism at ourselves as well—but we cannot help asking whether all that destroys and divides

this country is so fatally attractive that we totally forget what can (and must) unite it above all, bring it together, put things in order. Because there can be no doubt that a law of precisely this nature and these goals, for all of its defects (and we will discuss those later), represents at least a step at a vital turning point for Yugoslav society.

In fact, the future has already begun, to speak a bit more loosely and "metaphorically." Because corporations have already become reality in Yugoslavia. Just to recap, it began sometime last spring with the first private joint-stock enterprise, Imidz, in the town of Sajkas; about a month ago the first Yugoslav joint-stock bank was formed (JUBMES—at about the same time Jugobanka announced that as of 1 January of next year it will be organized according to joint-stock principles); shortly afterwards came the foundation of the first social joint-stock enterprise, Jadranska autocesta [Adriatic Motorway] ("Buy your own meter of motorway" was the slogan Markovic launched in his speech on the occasion of the company's "official" establishment). In this last case there was a conscious decision to emphasize the Premier's role because numerous signals from the business world indicate that the process of setting up corporations is not proceeding at all easily. On the one hand, this opportunity is attracting numerous businesspeople, from Triglav to Djevdjelija so to speak; it is only that—as Drzen Kalodjera said not long ago at an EKONOMSKA POLITIKA roundtable on privatization—they do not know how to go about it. On the other hand, to quote other comments that Dr Kalodjera made recently on the occasion of the presentation of the Zagal joint-stock company to the foundation of which he had contributed decisively, it is precisely leading people in business who display the most skepticism and hesitation. "Contrary to the usual view that it is the system that blocks new ideas," Kalodjera said, "after this experience I assert that the law presented no obstacles to the founding of Zagal, nor did the government; we did find obstacles where one would least expect them from the logic of things: in business, in the business structures to which enterprise ought to come the most naturally. But," Kalodjera continued, "today's manager simply is not in a position to be able to make business decisions independently and quickly. He is still subject to some sort of obligation to the political structures, because they decide or help decide about his mandate. In addition, this and every similar idea has clashed with the aversion and suspicion that we still find toward individual initiative, toward projects that are not the product of the collective mind of formal structures."

Although they might at first glance seem so, these are not two mutually contradictory notions. They are simply two sides of the coin of a system of which it cannot indeed be said that it does not respect and stimulate personal initiative and enterprise, but which limits and fetters it, whose logic is that everything that is not explicitly permitted is forbidden.

But all this together is just one part of the picture that Ante Markovic spoke about a month ago, precisely at an assembly of Communists from government organizations.

"I must tell you," Markovic said on that occasion, "that I myself have written the law. Now you could say to me, 'That's not your job, why are you doing it?' But I have got to write them. Why? Because we have received proposals containing ideas that do not accord with reform." And the Premier became even more concrete: "You see," he said, "we must now organize the market in stocks and securities, among other things. We do not know how to do that. For that reason we have asked the International Monetary Fund to give us some experts to do it with us."

That might just be an excuse because the law was late, since comments to that effect have already been made publicly. Yet truly no excuse is necessary, because even in those countries where stocks and other securities first appeared, people did not wait for the law in order to go ahead and issue them. The law ("even in those countries") came to "sanction" reality or when the need arose for the government to introduce a certain order, to prevent criminal practice, fraud, etc., or to regulate the sector.

The law that the federal government has prepared and which will probably start the Assembly procedure at the end of summer really is a "revised and supplemented" version of the proposal which was reviewed in Assembly bodies (Committee for Socioeconomic Relationships) back in March. At that time the law was sent back for further work but now, by all indications and after some other formal and informal consultations, it is ready to make its genuine, serious "debut." What immediately strikes one is that the law is a brief one, at least by our standards—even including its penal and transitional provisions, it has fewer than 50 articles. And that certainly should be counted as a virtue. Judging by the accompanying explanation, it would be even shorter if the Assembly had not demanded that the law regulate certain things, that it regulate others in more detail, etc.

The main innovation in this proposal compared to the current law is that for the first time it formally introduces the concept of stock into our legal system. Besides stocks, the law also provides for the issuance of four other types of paper: bonds, certificates, treasury bills, and commercial bills (the last is also new). It is precisely this explicit enumeration of types of paper that forms one of the defects of the law. It practically rules out the possibility of creating new types (options, for instance), to issue which an interested party would first have to wait for "legal sanction." For this reason, experts assert, it would be even better if the law were more generalized, if it did not enumerate and define types of paper, or if it simply defined only ownership paper and debt paper and left everything else to people's free will and initiative. This is because in principle even stocks and securities are simply a form of property, just like shoes, for instance, to choose a totally banal example. And just as nobody would ever dream of prescribing to manufacturers what sort of shoes to produce, there is in principle no reason to prescribe to those wishing to "produce" stocks and securities. For its part, the government can and should prescribe certain "standards," regulate trading, prevent fraud, etc. In Yugoslav legislation the approach is largely reversed.

The law contains far more definition than regulation. But even that is not without some justification, given the aforementioned and still not overcome logic of the Yugo-system, where it is not sufficient simply to remove some bans; instead it often is necessary to prescribe rights directly. For this reason we often see totally unnecessary "detailing," as where the law prescribes that "payment for the purchase of stock may be made all at once or in installments" and that in the second case temporary shares are issued. It really is not clear why this and similar matters are not left to the seller and buyer of the stock to decide on (although, and we must add this, this specific reproach should be directed more toward the aforementioned Assembly committee, because, as the explanation accompanying the law states, this part was introduced at its request). Naturally we cannot go into any kind of detailed presentation or restatement of the law here; nor, after all, would that make any sense, given the nature of it. However, it is worth stressing that besides defining stocks and securities, the law defines who can issue them, the permissible content, what currency they may be issued in, when they form an obligation, the purposes for which they can be used, how they are traded, the exercise of rights from lost paper, etc. What is certainly most interesting here is what the law says about stocks (they are also accorded the most space in it). First of all, stock is defined as a "certificate of ownership of funds invested in an enterprise, bank, other financial organization, insurance organization, or other juridical person that can make a profit." The second clause of the same article states that the "stockholder acquires the right to participate in the distribution of profits and may also have the right to participate in management." It is not clear here why it gives the stockholder the "right to profits"; the shareholder is an owner and the profits simply belong to him, as does the right to management of the firm, unless the stock is not for a specific enterprise.

The law stipulates that stock may be issued in dinars or foreign currency—probably because much is expected from foreign investments in mixed corporations—but stock can be sold on the market only for dinars.

The law prescribes very precisely all the things that must be confirmed when stock is issued (name of issuer, total amount of stock issued, number of shares and nominal value, number of votes they give, method of payment of dividends, method of distribution to shareholders, risk, etc.), what the share itself must contain, and the payment coupon. Finally it defines founding shares and subsequent issue stock, ordinary and priority stock, and cumulative priority and participative priority stock. A similar approach is also followed in regulating of other types of securities.

Inasmuch as stocks and securities naturally are intended for sale, it might be worthwhile to indicate one (more) provision of the law that could do considerable harm and have undesirable effects in this regard. The law prescribes that before issuing stocks and securities the issuer must "make public" data about his financial operations, which

is quite in order. However, it is not clear whether that applies only when the paper is first issued or also in the case of all subsequent issues; one wonders why a purchaser, a shareholder, should not have the ongoing right, or possibility, under defined conditions of course, to verify at any point the soundness of the firm whose owner he wishes to become.

If it is possible to judge by general disposition, Yugoslavs have something of an inclination toward stockholding. It would not be too much of a joke to say that stockholding is still less risky than continuing on in the old way, but even if we leave jokes aside, a survey carried out throughout Yugoslavia at the end of last year by Zagreb's CEMA revealed that no less than 39 percent of the respondents (obviously the sample was not exactly representative) said they would buy stock or bonds in domestic enterprises. Of course, talk is cheap, and the responses to the question of which enterprises they would most like to invest in (INA, Energoinvest, Aluminijumski kombinat Titograd, Zastava, Elan) show that (other than Elan) people have more confidence in more-or-less state firms, that there is not so much risk with them. On top of this, it is also indicative that the most negative responses came from Slovenia, which is the republic with the most experience in trading stocks and securities, and some practical attempts at selling stock in this republic in 1989 also showed that the response was not that encouraging.

This goes along with the fact that up to now shareholders—other than that first case, which for now appears to be a single honorable exception—have been social firms. This says that regardless of all the obstacles and difficulties, it is easier to take risks with social funds, i.e. with other people's money. This light-hearted risk-taking (which gives rise to opportunities for major fraud) certainly presents one of the greatest dangers to social stockholding, and thus also the danger that this entire idea could be distorted and compromised.

But stockholding represents a pure ownership relationship where it is precisely known what belongs to whom and who has what rights, where functions are clearly delineated and, what is most important, all rights (obligations and responsibilities) are based on that "belonging." That is also true when shareholders are social firms, even though the "basic" social ownership relationship is not clearly put, i.e. it is not known precisely who is the owner of the social enterprise. Worldwide experience clearly proves that the system of precisely defined ownership relationships produces better results, greater efficiency. Introducing this system in this way into the domestic economic and social environment (where, as we know, virtually nothing remains from the past) would undoubtedly have "multi-faceted and far-reaching" consequences—useful ones, of course. On the condition, naturally, that it is not treated as an experimental "sample" and shunted off to some sort of (practical and theoretical) reservation.

GERMAN DEMOCRATIC REPUBLIC

Church Funding, Statistics, Activities Noted

23000224 Frankfurt/Main FRANKFURTER
ALLGEMEINE in German 5 Sep 89 p 4

[Article by "Ws.": "GDR Acknowledges Churches' Charitable Works"]

[Text] Berlin, 4 Sep 89—Within a series published for the 40th anniversary of the GDR, the (East) BERLINER ZEITUNG has dedicated a full page to the "Churches and Religions in the Socialist GDR." This also includes revised figures. Where previously the number of Protestants in the GDR was quoted at 7 million in round figures, we now read: "The Protestant Churches of the Lands have approximately 6,200 parishes with an estimated 3.4 million members and roughly 4,000 clergymen." The number of Catholics in the GDR is quoted at approximately 1.1 million "who are under the pastoral care of 1,100 clergymen as well as of some of the approximately 135 priests associated with an order." A good 245,000 of the GDR population belonged to the other churches and religions. "Overall, an estimated 28-30 percent of GDR inhabitants profess their allegiance to one of the religious persuasions," the BERLINER ZEITUNG states.

The newspaper points out that ever since the GDR was established in 1949 the state has subsidized the clergy's stipends. At present these subsidies amount to M 11 million annually. Since the seventies or eighties there existed agreements on old-age benefits for church employees and those in the [Lutheran] diaconate services [individuals belonging to the Lutheran Church and trained in the nursing and social professions]. The charitable diaconal work of the churches and religious groups enjoys high social prestige in the GDR. Seventy-six hospitals with 11,234 beds are said to be owned by the church. This would be about 14 percent of all hospitals and about 7 percent of all hospital beds. Some of the church hospitals—for example, the Protestant Paul-Gerhardt-Stift in Wittenberg and the Catholic St. Vincenz-Krankenhaus in Heiligenstadt—function as kreis hospitals. In addition, the churches and religious groups operate approximately 380 senior citizen and nursing homes, 150 homes for the mentally and physically handicapped as well as a large number of other institutions dedicated to church social work (day-care centers and homes for children, nurses' stations, treatment and convalescent facilities).

The BERLINER ZEITUNG continues to say that the socialist state supports the works of the approximately 23,000 employees in the diaconal and charitable services. Medium-level medical specialists are trained for a job in church health and social institutions on the basis of agreements between state and churches. The required scholarships and assistance—DM75 million in round figures during the past 10 years—are paid out of the national budget. By paying hospital allowances to cover expenses out of the national budget and social security funds the same medical care payments, wages, and salaries can be

guaranteed in church-owned health and social institutions as in government hospital and nursing facilities.

There are more than 10,000 churches and chapels in the GDR, which constitute not only a material but also a cultural value. During the war 3,089 of these were heavily damaged or totally destroyed. By 1957, and with extensive financial government aid, 1,400 Protestant churches, 50 Catholic churches, as well as 79 churches and parish halls of other churches and denominations had been rebuilt, and 52 Protestant churches, 75 Catholic churches plus 39 so-called makeshift churches and 196 churches and parish halls of the other denominations had been newly erected. This approach is being continued. For example, under the building program agreed upon between the state and the churches, 107 Protestant churches, 54 Catholic churches and a number of social diaconal and charitable institutions have been built, reconstructed, or restored from 1973 to 1988. Since 1978, more than 20 Protestant and about as many Catholic churches and parish centers were created in new residential areas. In addition to the government assistance for church construction activities, approximately 20 percent annually of monies from the central historical monument fund had been used, since the beginning of the fifties, for restoration and preservation measures at places of worship. The most recent example being the reconstructed and restored St. Nikolai Cathedral in Greifswald.

However, the report in the BERLINER ZEITUNG does not mention at all that a large fraction of the expenses for restoration, reconstruction, and preservation of churches and church-owned buildings as well as for the construction of new churches and parish centers in the GDR is being financed by the churches in the FRG including West Berlin and also the ecumene.

On the other hand, the newspaper emphasizes that neither the land reform nor the "socialistic reorganization of agriculture" had touched the ecclesiastical real estate property in the GDR. The Protestant Church owns approximately 170,000 hectares of agricultural acreage and 33,000 hectares of forest. The Catholic Church owns about 30,000 hectares of agricultural acreage and 5,000 hectares of forest within the GDR. A portion of these landed properties is being cultivated by other agricultural operations on the basis of utility agreements.

In a review of the state-church relationship the same newspaper writes: "For Marxists it was necessary to let go of initially held unrealistic notions regarding the development of religion and church and to shape their relations with citizens affiliated with a church in a manner so as to allow and promote the involvement of Christians in the struggle for peace and Socialism." By contrast, the church, and the Protestant majority church in particular, was obliged to learn—after centuries of alliance between throne and altar—to separate itself from established traditions and old ways of thinking, to gradually find its position in the socialist social order that was taking shape, as well as to basically determine and constructively practice its relationship toward the worker and peasant state.

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